# the Freeman

## Ideas on Liberty

APRIL 1976

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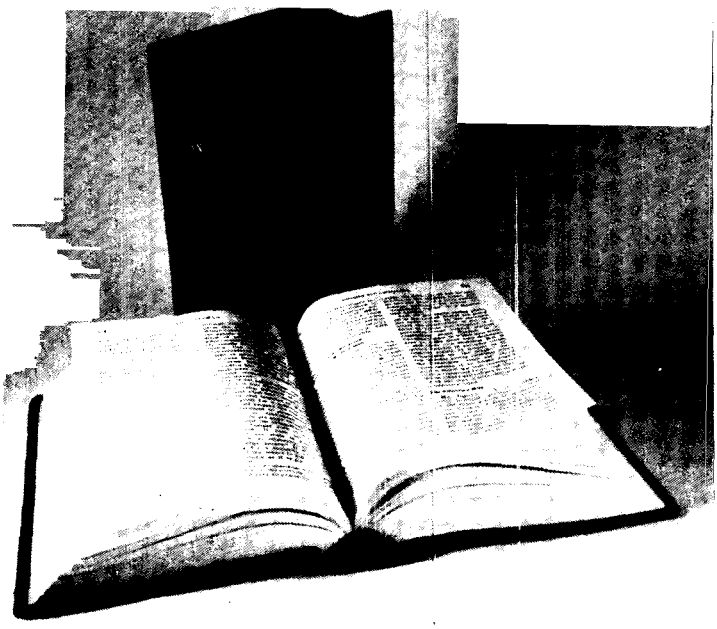

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# The Losing Struggle to Save Private Enterprise

MELVIN D. BARGER

IN THE PAST FEW YEARS, there have been several rescue efforts by prominent business executives to "save the private enterprise system." It is becoming obvious to many business leaders that complete government control of the business system lies dead ahead unless something is done to change the present trend. Elisha Gray II, the highly respected former chief of Whirlpool Corporation, stated that in his opinion "the American electorate will largely dismantle the free-enterprise system in the next 10 years if we businessmen continue to stand mute." Other prominent executives have voiced similar fears.

But what can be done to save private enterprise? If businessmen decide to speak out and to act, what should they be saying and doing? Is there any specific program or organizational effort that will stem the tide of government interventionism that now threatens almost every business activity? Is there anywhere a leadership or set of ideas that will do the job that needs to be done? Who has the answer?

So far, nobody has effectively answered these questions. But one thing should be clear to anyone who has studied the growth of interventionism in the past few years. Business leaders are not necessarily effective spokesmen for the private enterprise system. Most of them, not surprisingly, express themselves very well when talking about their own companies, products, and markets. Only a few have the ability to talk about the *general* problem of intervention-

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ism without sounding naive or self-serving. The several current attempts to rescue private enterprise are well-intentioned, but it will be a major miracle if the rush toward government control is slowed, let alone stopped.

There are a number of reasons why most business leaders tend to lose out when they try to defend private enterprise. Here are some of them:

***An Inconsistent Viewpoint*** – A surprisingly large number of business leaders praise the free enterprise or private enterprise system, but seek out government protections and subsidies for their own businesses and industries. In so doing, they are accepting the principle of interventionism. It is true that they have plausible explanations for seeking and demanding favors from the government, and usually have community or shareholder support in doing so. But it is impossible to be an advocate of subsidies for one's own business without destroying a part of the market system. It is also true that protectionist actions and subsidies breed more of the same. If one business or industry receives government favors, it is a signal for other businesses to seek the same kinds of supposed benefits. Businessmen who are already enjoying government benefits, but deplore the rush towards statism, are in effect saying that they like the government gravy train but want to exclude others from equal participation with themselves.

There is also another type of inconsistency expressed by the businessman who wants to see industries other than his own placed under strict regimentation. It's not unusual to hear an otherwise knowledgeable business executive inveigh against the alleged greed of oil companies or public utilities and declare, when tighter controls are placed on such organzations, "They brought it on themselves. I'm glad to see them get what's coming to them. I don't like government control, but in this case it was their own fault. I hope they get it in the neck!"

***"Do We Deserve Freedom?"*** – Somewhat like the "they-brought-it-on-themselves" syndrome is the widespread belief among businessmen that they are being regimented only because business has been dishonest or has performed poorly in meeting consumer and public needs. This is widely accepted, and some industries have launched seemingly worthy efforts to "drive the deadbeats and fast operators out of business." There seems to be a hope that if business will only perform "as it should," then the government will end its

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interventionisms and turn to other matters.

Without defending bad business practices, one can easily predict that it's going to be almost impossible for American business to perform much above its present levels, or at least so as to satisfy its critics. In every business, there are good reasons why things are done as they are and why certain limitations exist. Usually, most of these problems are associated with cost restrictions.

A number of businesses and industries have attempted to explain their activities in public advertising. In some cases, this has backfired, and businessmen have been accused of trying to "whitewash the same old activities" without showing commendable improvement or change. The critics always seem to be one step ahead of businessmen, and are always sure to have a new argument or criticism when previous criticisms no longer apply or have been outmoded by change.

***"Business Leaders Fail in a Political Environment."***—Most of the attacks on business are threats only because they eventually end up as legislation and controls. In other words, consumerism and most of the other antibusiness movements feared by businessmen are really political movements. It is very doubtful, for example, that the writings and pronouncements of consumerists could harm a company's sales without government intervention at some point in the process. (It is true that Mr. Ralph Nader was credited with the demise of the G.M. Corvair; however, this was an exceptional case and there is some belief that ordinary market forces also helped destroy this automobile).

But the game changes radically once the controversy moves to Washington. Here, businessmen are really fish out of water, despite the publicity about lavish pay-outs to political campaigns and other business involvement in politics. The businesman may try to obtain influence in Washington, but he is usually ill-suited to this role. For that matter, businessmen do not really function effectively when they move to Washington to serve as government officials. The business game and the political game are two separate arenas of activity, and often the businessman's drive and need to get things done turn out to be liabilities in his dealings with political representatives.

The businessman is an expert in winning public acceptance of his own products, but he is far less skilled than the professional politician in personally winning the public's approval and support

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or in dealing with political people. As an article in the Fall 1972 *Harvard Business Review* put it, "Most corporate executives are accustomed to giving orders and having them carried out without question. The act of influencing politicians is a mystery to them. . . . The unaccustomed necessity of cajoling and persuading a large number of strong-willed and diverse men can prove to be a time-consuming and humbling exercise."

But if the businessman is politically inept, the same cannot be said of his opponents. For the most part, consumerists and other business critics seem to have an almost natural instinct for influencing government. Either they know how to make their presence felt, or they have learned how to intimidate Congressmen and appointed officials. It is a political fact that a few well-organized groups of college students have been able to hitch-hike to Washington with nothing more than their sleeping bags and some petitions, and make more of an impact than some of the nation's top corporations.

***"Too Much Reliance on Rational Arguments."*** — Again and again, businessmen have tried to defend the American business system by demonstrating how well it has performed when measured against almost any other system in the world. There is still a persistent belief among businessmen that they have failed to tell this story well, and that this failure is the only reason that private enterprise is now under such bitter attacks.

Actually, the accomplishments of American business are well-known to almost everybody. If faith in the effectiveness of private business and industry ever wavered, it was probably during the Fall of 1957 when it appeared that the Soviet Union had surpassed the U.S. technologically by launching Sputnik; and this disenchantment lasted only briefly. If anything, American business has oversold its capability. Businessmen may appear bewildered and angry over the growing list of demands that they solve every human problem, but corporations have long boasted of their achievements. It is not surprising that some misguided people now think that major corporations can do many other jobs just as efficiently as they produced automatic dishwashers and color television sets.

***"Businessmen are Trapped in the Profit Argument."*** — One of the favorite topics for executive speeches is "the importance of profits," although many of these speeches are given before groups

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that already agree with the speaker. The business executive is understandably worried about profits, because his own performance is measured by his ability to produce good earnings consistently. He also knows that a business can be undermined and destroyed by two or three years of losses. At the same time, it is only a firm's earnings that generate funds to expand business.

Unfortunately, "importance of profit" speeches apparently do little more than reinforce critics' beliefs that businessmen put profits ahead of everything else. The public continues to hold a number of false views about business problems in spite of the fact that business executives and business organizations have been defending the importance of profits in speeches up and down the land.

Perhaps all this emphasis makes it appear that the businessman invented profits and is the only person who really has an interest in maintaining profits. But this is not really true. The professional manager seeks profits out of necessity, but he would often be just as pleased if his performance could be measured in some way other than by the earnings test. Almost any business manager would often feel relieved if he could prepare the type of annual report used by government agencies – lots of generalities but no specifics that can show year-by-year gains or setbacks.

### *Everybody's Struggle*

The point of all this is not that business executives are always inept and hypocritical in their struggles to save free enterprise. They are, however, taking on a responsibility that should be shared by others, including the employees and customers of business firms. If the so-called free enterprise system is to be defended only by a few overworked business executives, then it is probably already on the threshold of doom.

How much better it would be if large numbers of people began to understand that private property and the free market system must be defended on moral grounds. Study most interventions, and they soon turn out to be carefully disguised schemes for the forcible transfer of resources from one group to another. This would be denounced as thievery if pressure groups went directly to certain other groups and seized the funds and other property that they are often able to obtain by means of subsidies and laws giving them special privileges. But such actions have become part of the very fabric of our economy, and almost everybody has become dependent on subsidies and similar interven-

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tions in his own business. Hence, few people are able or willing to be critics of *all* interventions; most people, it turns out, criticize only the interventions that they consider to be improper or excessive. Such arguments can never be very effective. Interventions of any kind are always shaped by political needs, and it is a useless exercise to criticize certain inteventions while upholding certain others.

What about the frequently heard statement that certain business groups "brought control on themselves?" The principle to be defended here is that regulations and controls are actually prior restraints that do violence to personal freedom and to individual rights. It is just as wrong to impose regulation on businesses, because of their alleged shortcomings, as it would be to regulate newspapers because some of them print trash, or to control churches because some cults believe in handling snakes.

At one time, the arrogant and high-handed attempts of government bureaucrats to intervene in ordinary business activities would have been viewed as a threat to everybody's rights and property. Americans, many with bitter memories of oppressions under various European monarchies, were distrustful of government power and seemed to have an intuitive grasp of the need for limited government.

But this early and beneficial distrust of government apparently gave way to a belief that certain businesses were so dominated by rogues and monopolists that only regulation could "protect" the public. Regulation of the railroads was followed by similar regulations of all types of business, until now many organizations are controlled by several government agencies that are often at odds with one another. In practice, government regulation is turning out to be a costly nightmare, and even the advocates of regulation will admit that it is usually bureaucratic and clumsy. But few people are willing to insist that regulation is morally wrong and ought to be abolished. Instead, more arguments – particularly those by the businessman who must operate under regulation – really turn out to be attempts to force the regulators to be reasonable and efficient.

### *The Market Allows Free Choice*

The most serious error businessmen make in defending private enterprise is in failing to demonstrate that free choice is possible *only* where there is a free market place. Here again, the case for the free market has a good moral foundation. The business-

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man, unless he is a monopolist by government edict or is engaging in fraud, can survive only if he can profitably produce the goods and services that the customer *freely chooses* in the market place. The free choice of the customer is all-important. If the customer is not to have free choice in spending his money, then his claim to his own property has been diluted to a certain extent and at least some of his property has been transferred to others without his open consent.

The customer would try to resist attacks on his property by pickpockets and hold-up men; he rightly recognizes such actions as being dishonest and immoral, and he can usually count on others to uphold his right to resist such attacks. But he has not seen that it is also immoral and fraudulent when his *free choice* to spend his money has been taken away by government action. He does not realize that governments are destroying his freedom and committing wrong acts when they silently confiscate much of his income and establish rigid laws to govern how his remaining income shall be spent.

In today's world, it is virtually impossible to find a prominent business executive who is willing to state that private enterprise has a moral foundation that never can be established in a socialist society. We are surrounded by topsy-turvy thinking, and it is often the socialist – the interventionist – who confidently believes that he has morality on *his* side. Sadly, many businessmen often believe that the interventionist is on the right side too, but they still insist that they deserve a place in the sun because they are efficient or supply useful goods and services, and employ people. Small wonder that the interventionist usually wins.

IDEAS ON LIBERTY

***Let the Market Function***

COMPARE the accomplishments of the federal urban renewal program, guided by the visible hand of the urban experts, with the accomplishments of the plans of private individuals, guided by the invisible hand of the free market place. If this is what can be accomplished by a relatively free housing market, the rational course of action is to allow it to function, not to attack and fight it.

MARTIN ANDERSON, *The Federal Bulldozer*

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CHARLES R. LADOW

# MOTHER NATURE: *Friend or Foe?*

WHEN, in his theory of natural law, John Locke suggested that a man is entitled to such land as he can "redeem from the state of nature," our forefathers understood what he meant. Each plot which they wished to farm had to be reclaimed from the piney woods, native brush, or bogs, filled with the hazards of wild beasts or hostile Indians. Even today, in tropical climes, the plantation operator recognizes the jungle as an enemy, constantly poised to swallow up his fields, while its animals stand ready to destroy his crops. These people have known, as indeed farmers everywhere still know, that nature is an adversary worthy of constant vigilance. That is reason enough to respect Jefferson's opinion that representative government is only safe when farmers hold a balance of power.

Now that over 70 per cent of our population live and work in cities, we are entertained with a different logic; or should we say propaganda? A TV ad warns us that "It's not nice to fool Mother Nature." Some of the most attractive programing, in that medium, narrated by its more popular and impelling voices, shows us the beauties of the wild while expounding upon the marvelous "balance of nature," into which man intrudes in a manner which we are led to believe is totally inexcusable.

The raw realities of nature are

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.



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now so remote to most of us that apparently the credibility of this message is not widely questioned. Having worn out our attention concerning the "War on Poverty," and lost the subject of the Vietnam War, those who presume to tailor public opinion have found a substitute in ecology. Voting records in, and out of, our legislatures indicate that they have had recent success.

DDT, which has saved millions of human lives and helped us to develop an agricultural production unprecedented in history, is banned – largely on circumstantial evidence – in favor of untried substitutes. Construction has been brought to a near standstill by the demands of new committees with "environmental" requirements. Dredging of harbors is endlessly delayed, when not prohibited, due to official concern over the "food chain" of wildlife – a concern so belated, in any case, as to be almost comical, if it were not tragic in its lack of proportion. The oceans still teem with life and most of the world's coastlines are still primitively pristine. Americans simply prefer beef, lamb, and pork and are relatively careless of their own fisheries. Changing tastes by law is a wasteful task.

But the most deadly impact of environmentalism has been upon the automobile industry, which is the hub of our entire industrial economy. This is not to suggest that nothing should be done about exhaust pollution; but it is to say that the matter has been approached with a celerity and lack of intelligence which boggles the understanding. There has been little recourse to Pericles' principle: "We think before we act."

### *The Situation Which Prevails*

Just what is the "balance of nature," anyway? It is nothing more than the situation which prevails in any given area at any given instant. An earthquake, volcanic eruption, tidal wave, flood, windstorm, rain, disease, or drought can drastically alter, or even eliminate it, at a moment's notice. Nor can we assume that the other animals are more assiduous than we in maintaining a balance in nature. That most of them do not kill for fun is a matter of indolence, or prudence, rather than wisdom or foresight. Killing is work and dangerous too.

Left to themselves wild animals will also overgraze, or overkill, and run themselves out of food when their numbers grow too large. Lemmings are not the only ones to have practiced suicidal imbalance. Man is very likely the only animal with a wild enough imagination to see balance in the total scene. When we look at the fossil record

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and see how many species have vanished, what delusions of grandeur can drive us to dream that we can save "endangered species," other than in a zoo?

One would think it unnecessary to point out that this effort is not intended to decry conservation or any efforts, reasonably pursued, to protect or improve the environment. However, the fashionable lunatic fringe of environmentalism has simply become a vehicle for further erosion of the free market, private property, and this best stand of human liberty on earth. Theirs is no effort to deter us from lamentable wastefulness. It is an attempt to dominate our free so-society – one more wedge of socialism. Not content with punishing our ill-doing, these illiberal extremists would "make us be good." This is not conservation. It is more like revolution – by brainwashing.

The study of nature is, of course, man's most pressing task, upon which our survival depends. Nature includes all things, living, dead, or inanimate, including man himself. There is nothing else then, but nature, to study; so let us not be accused of belittling such study or of being "unscientific." The trouble is that too many scientists are being unscientific, in pretending that things are not as they are, in order to further some hobby. Aesthetic pleasure is grand and everyone has the right, if not the duty, to luxuriate in his own particular Walden; but let us not institutionalize and politicize it into national madness. The "delicate balance of nature" is as ephemeral as a sunset. Let us leave it at that and clarify our study of nature, as science, as one of a worthy antagonist which we must bend to rational use: a splendid and beautiful servant, but an unrelentingly destructive master.

### *An Ancient Idea*

The elevation of Mother Nature to sainthood, of course, dates to the most ancient times. Nature – male, female, or neuter – in the secular sense stands for all which is beyond our control and which eludes our total understanding. Awareness of this awesome ignorance, and ultimate helplessness, undoubtedly led to the development of the primitive pantheistic religions. The anthropomorphic Greek and Roman religions grew into a secular humanism which was eventually made captive by Christianity in its Roman triumph. Yet anyone who has read Fraser's *Golden Bough* can see how persistent pantheism and magic had been, and it is not at all surprising that it continues to surface in the Christian tradition.

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The most noted devotee of nature worship in modern times was, of course, Jean Jacques Rousseau.

In his *Liberty* — Book-of-the-Month Club selection, for June, 1930 — Everett Dean Martin, wrote: "Rousseau made liberalism a gospel of universal emancipation by the simple process of transferring the hope of freedom from culture to nature. Man in the state of nature was not only free, he was wise and good. The laws of nature are rational and benevolent, and from their contemplation arise the loftiest moral sentiments . . . Instinct and emotion, when not perverted by the artificial restraints of civilization, are voices of nature and guides to the good life. Hence in the struggle for liberty the man of nature is set in opposition to the man of culture."

How near does this characterization of Rousseau's attitude coincide with that of our current nature-worshipping liberals? Our "natural instincts," untutored by such propaganda, would undoubtedly bid us to be suspicious, if not afraid, of nature. We very well know that the rattlesnake, water buffalo, tiger, or other beast which we view in safety on the television screen, could kill or rend us to pieces in a moment. The millions of people who have viewed the movie "Jaws" certainly do not appear to have reacted to the shark as a benign enforcer of the "balance of nature." That so many of us apparently accept the views of ecologists would seem to be an aberration rather than a "natural reaction."

### *The Concept Abused*

Understood in its original intention, the term "Nature, or Nature's God," is a harmless signal of our ignorance and insignificance in the extent of the universe, and the Great Unknown whom we variously recognize as God. It is a guarantee for modesty and against *hubris*. However, it could have been unfortunate that our eighteenth-century mentors fastened upon the term "natural law" to underline their ethics. Had they called it "human law," or "cultural law," it is just possible that they could have avoided its capture by our recent "scientific" pantheists. These late comers seem not only ready to do in our eighteenth-century tradition of "natural law", but also seem willing to destroy our material accomplishments — all in the name of a nature which never has existed as they see it and, at any rate, is irretrievably gone, as Rousseau's "noble savage" saw it.

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# The 1975 Nobel Memorial Prize in Economics:

## *Some Uncomfortable Reflections*

ISRAEL M. KIRZNER

ON DECEMBER 10, 1975, at what the *New York Times* described as a glittering Stockholm ceremony, the Nobel Memorial Prize in Economics was awarded jointly to Professor Leonid Vitalyevich Kantorovich, of the Moscow Institute of Economic Management, and to Professor Tjalling Charles Koopmans of Yale University. Their prize was awarded for their contributions to the theory of optimum allocation of resources.

Now concern with the "optimal allocation of resources" has been proclaimed in countless economics classrooms, and in innumerable economics textbooks, to be the very essence of economics. Ever since Lionel (now Lord) Robbins in 1932 defined economic science in terms revolving around men's allocative decisions, economists have seen efficiency in resource allocation as central to their discipline. It might seem then that Professors Kantorovich and Koopmans have won their Nobel prize for contributions going to the very heart of their science. Nonetheless, it is necessary to point out that, paradoxical though it may seem, in a very important sense the 1975 Nobel Prize in Economics was awarded for work having only peripheral relevance to the central contributions of economic science. What is of even greater concern, the interpretation placed by the Swedish Royal Academy on the contributions of the prize-winning

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scholars seems to involve implicit *denial* (if not outright ignorance) of these central contributions of economic science. These may seem surprising assertions; the following pages will attempt to provide the necessary elucidation.

It is to be hoped that, in pointing out these puzzling and disturbing circumstances, the writer will not be understood as seeking in any way to detract from the outstanding merit of the eminent men honored in Stockholm. Both of the laureates are brilliant scholars and dedicated scientists; the quality of their work undoubtedly meets the very highest standards of scientific excellence. Nonetheless, recognition of all this cannot absolve us from recognizing, at the same time, that unfortunate misunderstanding of the nature of the central problems of economic science, which appears to surround the 1975 prize.

The matter might be stated briefly, but far too superficially, in terms of a comment on the role of mathematics in economics. What both laureates — each of whom began his academic career strictly as a mathematician[1] — have devoted their lives to, it might be argued, is not, properly speaking, economics at all, but rather a special *genre* of applied mathematics. And, while questions of nomenclature might seem to be of only secondary importance, it in fact appears that, in the misunderstanding of the character and significance of these mathematical contributions, there lies embedded not merely semantic confusion, but also substantive unconcern with profoundly economic insights which have (at least up to the present) not proven amenable to mathematical formulation. This statement of the matter, however, while correct in itself, touches only on the surface of the issue.

### *One Technique — Many Uses*

A more thorough discussion may begin by noting that in awarding the prize jointly to a Russian and a (Dutch-born) American, the Royal Academy was intent on more than merely recognizing the international character of the scientific contributions they wished to honor. What it was evidently intended to emphasize was that the techniques of optimal resource allocation contained in modern activity analysis are in principle applicable alike to economic systems reflecting sharply divergent institutional patterns. As the *New York Times* (October 15, 1975) expressed it in the words

1 In fact Koopmans' footnote citation of Kantorovich's work refers to him as "the Russian mathematician", (T. J. Koopmans, *Three Essays on The State of Economic Science*, McGraw-Hill, 1957, p. 68n.)

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of a distinguished colleague of Koopmans: "Activity analysis is used by economists and operations researchers to select the optimum production technique when several competing techniques are available, either at the level of the corporation, as in the United States, or at the national level, as in the planned Communist economies of Eastern Europe . . . The indifference of these methods to the institutional arrangements of the economic system have permitted a degree of communication and intellectual exchange that could not otherwise have taken place."

This view sees economists as concerned with seeking techniques to solve resource allocation problems. These problems of securing optimum allocation of resources present themselves at a variety of levels. They present themselves, in capitalist societies, at the level of the firm; they present themselves similarly, in socialist societies, to the central planners. The techniques required to solve these allocation problems are, in principle, common to these problems regardless of institutional context. In principle the mathematical techniques employed by activity analysts to assist corporate decision making in the West, are the very same techniques needed for efficient decision making by central planners in the East. Economic science is now visible, then, as consisting of a mathematics of decision making which transcends institutional differences: what is valid for capitalist firms is valid, in principle, for socialist societies.

### *Missing the Point*

Now, we must readily concede several important elements of validity to this view. The abstract character of managerial decision making is, *given the sets of ends and means held respectively to be relevant,* indeed the same for all levels of decision making. Moreover, within a given ends-means framework, the problem facing the decision maker is indeed a mathematical one. In this context the development of activity analysis, or operations research, has been and will continue to be of extraordinary significance and usefulness. But it is a mistake to see this mathematics of optimal allocation and decision making — enormously valuable though it unquestionably is — as making up essentially the intellectual contribution of economic science. And, perhaps even more important, the uncritical assumption that application of the techniques appropriate to securing resource-allocative efficiency at the level of the firm, to the level of planning for a whole society, can achieve corresponding

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*social* "efficiency," – begs entirely those questions which *are* at the heart of economics.

When Lionel Robbins in 1932 defined economic science as concerned with the implications of man's resource-allocative decisions, he did *not* mean that the central task of economics is to provide techniques for efficient allocation. Nor, it should be emphasized, was he referring at all to the concept of the "social" allocation of resources. (In fact the latter concept, while central to so many introductory textbooks and to so much work in theoretical welfare economics, is a highly dubious one.[2]) Robbins was simply defining economics as concerned with the social consequences of the circumstance that decision makers do in fact seek – each within his own framework – to achieve efficiency. Economics, in this view, is concerned not at all with how to achieve individual or social efficiency; but rather with the social forces generated impersonally by the interaction of numerous decision makers each of whom is seeking to allocate his resources optimally. In assuming that the efficiency which firms can achieve by operations analysis, can be achieved for "society" by the use of similar techniques on the part of central planners, one is in fact *ignoring* the conclusions of Robbinsian economic science. The matter is of course vitally bound up with Mises' pioneering demonstration in 1920 of the necessary failure of socialist economic calculation. The immediate issue was perhaps most clearly stated by Hayek many years later:

> What is the problem we wish to solve when we try to construct a rational economic order? On certain familiar assumptions the answer is simple enough. *If* we possess all the relevant information, *if* we can start out from a given system of preferences, and *if* we command complete knowledge of available means, the problem which remains is purely one of logic. . . .
>
> This, however, is emphatically *not* the economic problem which society faces. . . .
>
> The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate "given" resources – if "given" is taken to mean given to a single mind which deliberately solves the problem set by these "data". It is rather a

[2] On this see J. M. Buchanan, "What Should Economists Do?", *Southern Economic Journal*, January 1964.

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problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.[3]

Here, in this 1945 statement by one of the 1974 Nobel laureates in economics, we have the definitive critique of the confusion we have seen to surround the award of the 1975 prizes.

### The Knowledge Is Lacking

To be able to discuss allocative decision making at all, it is necessary to presume that the decision maker has knowledge of the sets of ends and means with respect to which efficient allocation is sought. But *absence of such knowledge in centralized form* is precisely what in fact constitutes, for Hayek, the economic problem facing society. To assume, therefore, that even the most powerful and sophisticated of mathematical techniques can achieve for society the efficiency they can win for the firm, is to overlook the essence of the economic problem with which society must grapple.

One of the achievements of the market is that it generates impersonal forces which govern the size of firms. Firms which are "too small" find themselves facing opportunities for profitable expansion or merger. Firms which are "too large" find themselves at a disadvantage when facing the competition of smaller, nimbler competitors. What determines whether a firm is "too large" depends on many considerations.[4] Certainly one consideration of overriding importance has to do with the difficulty, in large organizations, of funneling the information necessary for efficient central decision making, to those entrusted with the organization's management. The market tends to limit the sizes of its decision making units to permit optimal deployment of planning techniques *within* these units, while harnessing the "invisible hand" of the market to achieve a tendency towards coordination *between* these units. All this is very much at the center of economic science, — although it shares little indeed of the mathematical character of the theory of resource allocation techniques.

[3] F. A. Hayek, "The Use of Knowledge in Society", *American Economic Review*, September, 1945; reprinted in *Individualism and Economic Order*, pp. 77f.

[4] See the classic paper by R. H. Coase, "The Nature of the Firm", *Economica*, November, 1937; reprinted in G. J. Stigler and K. Boulding, eds., *Readings in Price Theory*, Irwin, 1952. See also A. A. Alchian and H. Demsetz, "Production, Information Costs, and Economic Organization", *American Economic Review*, December, 1972.

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### An Improper Assumption

Simply to *assume* that society as a whole can be organized as a single firm, run as a centrally planned organization, and thus be able to employ the techniques of activity analysis, is to overlook what Hayek, at least, perceived, in effect, as the core concern of economic science. To be sure, the eminent scholars who pioneered in the development of mathematical allocative techniques are not, other points of possible vulnerability aside, to be criticized for assuming entirely correctly that these techniques can be useful wherever allocative decisions are in a position to be made. But we do have the obligation to point out that the economic problem facing society concerns precisely those circumstances under which, in fact, allocative decisions are *not* in a position to be made.

Economics has, ever since Mises, had a very great deal to contribute on why such circumstances are inevitable; and ever since Adam Smith economics has had a great deal to say about how, under such circumstances, the economic problem faced by society comes to be solved. Those who understand the enormous social significance of economic science as it has developed over the past two centuries, cannot therefore but be profoundly disturbed by the continued evidence that the core contributions of the discipline have simply not been noticed by those in the best position to do so. The story of the 1975 Nobel Memorial Prize in Economics suggests indeed that the light shed by economic science continues to fall on an as yet altogether incompletely illuminated intellectual landscape. All these are indeed uncomfortable, but nonetheless apparently inescapable, reflections.

IDEAS ON LIBERTY

### *Economic Calculation*

THE EMPLOYMENT of the means of production can be controlled either by private owners or by the social apparatus of coercion and compulsion. In the first case there is a market, there are market prices for all factors of production, and economic calculation is possible. In the second case all these things are absent. It is vain to comfort oneself with the hope that the organs of the collective economy will be "omnipresent" and "omniscient."

LUDWIG VON MISES, *Human Action*

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Adam Smith

## *Another Bicentennial:*

# The Publication of THE WEALTH OF NATIONS

CLARENCE B. CARSON

IT HAD NEVER OCCURRED to me that the key to understanding some of the crucial passages of the Declaration of Independence could be discovered by reading *The Wealth of Nations*. I had long known, of course, that they were both published in 1776: *The Wealth of Nations* in March, the Declaration of Independence in July. The thought was in my mind, too, that there was something symbolic in the fact that these two great landmarks of liberty had come forth in the same year. It is commonly understood that the two documents were produced from a similar intellectual outlook, but knowledge of this had but little prepared me for what could be learned about the one by studying the other.

The main difficulty in discerning the meaning of the Declaration of Independence is, for me at least, in the first few lines of the second paragraph. They are also the most quoted lines from the document. To wit: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life,

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Liberty, and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed." Though there may be difficulty with some other passages, the most troublesome are these two: "that all men are created equal," and the right to "the pursuit of Happiness."

### Differences Abound

In the most obvious senses, men are not created equal. They differ from one another in height, in weight, in strength, in native intelligence, in heredity, in ability, in upbringing, in interests, and in almost every other way that comes to mind. Indeed, these very differences go to make up one of our most prized possessions, our individuality. Not only are we not the same, as some say, but also in our differences we are not equal. Some have talents for doing all sorts of things. Others can learn to do anything only with the greatest difficulty. Some are endowed with all the good graces, or so it seems. Others are very nearly graceless.

There are those who claim that we are all equal in the sight of God. Whether this is so, or in what way it may be so, I do not know. Those who say this usually say it as if it were obvious and offer no proof or evidences in support of it. Within the context of the Declaration, it is sufficiently clear that what is meant is that men are endowed by their Creator with an equality of rights. It is equally clear, when the matter is pursued logically and historically that for this to be instituted they must be equal before the law.

What are these rights to which men are entitled? According to the Declaration, they are the right to "Life, Liberty, and the pursuit of Happiness." Life and liberty pose no great problem for explanation, but the same does not go for the *pursuit of happiness*. The commonly used phrase at the time was "property," but Jefferson substituted for it "pursuit of Happiness," not because he doubted that property was a natural right but because he wished to say considerably more than this. The meaning of the phrase poses no great difficulty. If other words are needed, it means the right to seek one's own well-being. But what is the ground of such a right? How can seeking one's own well-being be justified? Would this not be contrary to the general welfare? Would it not be that very selfishness which has been so often condemned? On what basis does the equal right to do such a thing rest?

The answers to these questions can be found in *The Wealth of*

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*Nations*. They can be found elsewhere in bits and pieces, but nowhere so comprehensively as in Adam Smith's major work. There is in the following quotations the key to understanding the basic passages of the Declaration:

> Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.[1]

The following is more famous but not necessarily clearer:

> The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.
>
> But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.[2]

The same principle which applies to trade and manufacture within a country applies to that among countries as well:

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[1] Adam Smith, *The Wealth of Nations* Edwin Cannan, ed. (New Rochelle: Arlington House, n. d.), II, 27.

[2] *Ibid.*, pp. 29-30.

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. . . The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers.[3]

There are many economic concepts treated in Smith's *magnum opus,* some of them more or less original with him, but there is one overriding principle which occurs over and over again. It is this: when individuals are free to pursue their own interests they will benefit not only themselves but the general public as well. Adam Smith did not discover, of course, that men are self-interested. That has surely been known as long as there has been a concept by which it could be thought. He may not have been the first to discover that there is a natural harmony wrought by an invisible hand – the natural order? – from the multitudinous acts of unconcerned and self-interested individuals, but he did give the principle the most pointed application and spell out the extent of its comprehensiveness. It is the crux of his lengthy and detailed argument for economic liberty and free trade.

There, too, lies the key to understanding some of the most momentous phrases of the Declaration of Independence. In what way are all men created equal? There may be others, but there is certainly this one: Every man is, by nature, self-interested. The Founders of the United States were apt to refer to it as self-love. Jesus made it the foundation point of his second most important commandment: "Do unto others as you would they should do unto you." In short, He said, extend that care and love to others which you have for yourself. The Creator has implanted this self-interestedness, or self-love, in us to insure our survival and that of the race.

### *Self-Interest Is Normal*

Any man lacking the ability to discern his interest and the will to pursue it is unfitted to the office of a man. He would be unable to look after himself and would have to be taken over by others for his own good and the protection of others from him. This is not to say that men may not perform selfless acts – acts of heroism, acts motivated by love untinctured by concern for self. It is rather to say

[3] *Ibid.*, pp. 38-39.

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that self-interest is the rule – the norm – and selflessness the exception. The opposite of self-interest is not, as is sometimes supposed, selflessness; it is self-destructiveness, a condition requiring restraint. All men are equal, then, in that all are self-interested.

Self-interest as the ground, or one of the grounds, of equality, gains plausibility by the fact that one of the unalienable rights asserted is the right to "the pursuit of Happiness." This is the right to fulfill one's self, to seek one's own well-being, or to pursue one's own interest. There is no reasonable way to attach a different meaning to the phrase. The Declaration of Independence makes the right to pursue his self-interest a fundamental right of man. Within the framework of *The Wealth of Nations* such a right is justified, for when men behave economically so as to advance their own interests the result is also to advance the good of people generally.

It is not my position, of course, that Jefferson was influenced by *The Wealth of Nations* when he wrote the Declaration, or that there was some sort of interchange between the two men. There was none to my knowledge. It is rather that a common set of assumptions was leading to similar conclusions, and that the two works illuminate one another.

### Old Ideas Challenged

The two works are closer related, however, than even this would suggest. Much of the body of Smith's two-volume work was devoted to a point-by-point refutation of the mercantile system and to the economic arguments for free trade. The American revolt followed changes in British policy, changes in taxation which can be attributed to the infelicities of mercantilism.[4] Once the thrust of Smith's conclusions about mercantilism were accepted, the American cause would have a virtually complete justification.

The full significance of the views that all men have an equal right to the pursuit of their interests and that when they exercise this right it works to the public benefit can only be appreciated in the context of what has usually been believed and done. To say that the ideas of Jefferson and Smith were radical may not expose their full scope. In fact, they laid under siege some of the most deeply rooted and persistent notions that men have held.

No notion is more deeply rooted and persistent than the one that some class, order, or body of men is chosen, ordained, or especially equipped to decide what is good

[4] See Clarence B. Carson, *The Rebirth of Liberty* (New Rochelle: Arlington House, 1973), pp. 65-76.

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for the rest of us. The generality of men are the sheep and they are the shepherds, as it were. How they have been chosen or selected has varied from time to time and place to place but such an elite has commonly occupied decision-making roles throughout history.

The Puritans of New England considered themselves chosen of God to rule over the people there. They not only excluded others from government but also laid down all sorts of economic restrictions. "Inns, mills, and ferries were subject to control. Charges were limited by law, and the obligations of such institutions were legislatively defined. . . . Efforts were made to determine fair prices, fair wages, and reasonable profits."[5]

The most presumptuous effort to control the lives of people by an elite occurred in colonial Georgia, however, immediately after its founding. Georgia was conceived as a charitable undertaking and was placed under a Board of Trustees who resided in England. "The Board will always do what is right," the Trustees proclaimed in 1735, "and the people should have confidence in us."[6] They proceeded to fasten upon the inhabitants regulations both strange and perverse:

> Not only did they encourage silk-culture by a guaranteed inflated price and by bounties and prizes for the product delivered in England, but they even wrote into land-grants provisions requiring each grantee, in order to validate his claim, to plant at least 50 white mulberry trees on every 50 acres; every grantee of 500 acres had to plant 2000 trees within twenty years.[7]

In addition, they had many rules governing consumption and other kinds of production than that of silk.

### *Many Regulators in England*

Old England had its own varieties of elites to determine what was good for people in the centuries before Adam Smith. It had an hereditary monarchy and aristocracy, an established church with its hierarchy, and other classes and orders who participated in laying down regulations. These, from time to time, laid down rules governing economic relations: controlling prices, controlling wages, granting monopolies, deciding who could sell what, where, and to whom, restricting the lives and reducing the livelihood of the people.

5 E. A. J. Johnson, *American Economic Thought in the Seventeenth Century* (New York: Russell and Russell, 1961), p. 17.

6 Daniel J. Boorstin, *The Americans: The Colonial Experience* (New York: Vintage Books, 1958), p. 88.

7 *Ibid.*, p. 83.

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One of the main difficulties with the notion that some know best what the rest of us should do is that those who govern are self-interested, too. They deny to men the right to decide what is in their own best interest, but what they most frequently do is saddle everyone with what is in the interest of a few. Smith did not neglect to point out that those who fastened the mercantile regulations on England did so to advance their own special interests. He said:

> . . . The capricious ambitions of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. . . . [T]he mean rapacity, the monopolizing spirit of merchants and manufacturers . . . may very easily be prevented from disturbing any body but themselves.
>
> That it was the spirit of monopoly which originally both invented and propagated this doctrine [mercantilism], cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is and must be the interest of the great body of people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufactures confounded the common sense of mankind.[8]

It might be nearer to the whole truth to say that mercantilism resulted from a tacit alliance between monarch and merchants, each pursuing their own ends.

At any rate, Smith gave short shrift to the notion that there existed any person or group competent to decide the economic good for the rest of us. On one facet of the matter, he wrote:

> The statesman, who should attempt to direct private people in what manner they ought to employ their capitals [sic], would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.[9]

Of the economy in general, he declared:

> It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expence, either by sumptuary laws, or by prohibiting the importation of foreign luxuries.

[8] Smith, *op. cit.*, II, pp. 71-72.
[9] *Ibid.*, p. 30.

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They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.[10]

What Smith could say of the ways of kings and ministers can be said with equal justice about those who govern in republics.

### *A Gainer and a Loser in Any Transaction?*

Another widely held notion is that in any given transaction there is someone who wins and someone who loses. How such a notion arises again and again is fairly easy to understand. In a transaction a merchant may make a profit, a profit which may be thought of as the difference between what he paid for the item and what he sold it for. The buyer, on the other hand, may be unable to discern any profit which he has gained in the transaction. At least, he is unable to calculate it and enter it in his books. One profited from the transaction; the other did not. There was a gainer and a loser, or so it may appear.

An example may show how some people come to feel this way. A man buys an automobile for $2000, say, and drives it for awhile. Being in need of money, he sells it to a used car dealer for $800. In a few days, he learns that the dealer has sold the car for $1100. The man may readily conclude from these facts that he paid too much for the car in the first place and sold it for too little in the second. At any rate, the amount of money which he had was diminished by the series of transactions, and that of the dealer increased.

It may not be that the feeling that there is a loser in the transaction arises so much from the fact that one has clearly made a profit – though there are those who oppose profit-making in principle and a great many more who oppose profit-making at their expense – as that transactions usually involve the trade of some commodity or service for money. If all transactions were in kind, both parties would no doubt believe that they were the gainers, and both would no doubt be right. But when money enters the picture, is used as a medium for the exchange, he who paid out the money may conclude that he has been a loser, particularly if he tries shortly to sell the commodity for the sum he paid for it. Indeed, a man may pay $1 for 5 pounds of apples, consume the apples, become ill, and feel certain that he is the loser in the transaction.

10 *Ibid.*, I, p. 371.

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### *Balance of Trade*

This idea of a gainer and a loser has been given international and even universal application. The main route to this notion has been the conception that there is only a given quantity of a thing. Anyone who acquires more must then be depriving others of it. The best known instance of this line of thinking occurred when precious metals were used as money and thought of, by some, as wealth, or the only true wealth. Since there is only a certain quantity of these in nature, the nation which gains these does so at the expense of other nations. The mercantile notion of "favorable" balance of trade was justified by the notion that a nation should attempt to increase its holdings of precious metals. To do so, it ought to sell more to other nations than it bought, getting the difference in gold and silver. But the belief that there is only a certain quantity of a thing has not been restricted to precious metals; it has been extended to other things as well. In our day, there are those who claim that if one man eats overmuch he is depriving others of needed food.

At any rate, over the centuries the notion that in transactions there is a gainer and loser, either potentially or actually, has bred a large portion of government regulation, restriction, and intervention. It has led to laws promoting exports and discouraging imports, to the payment of bounties, to the imposing of tariffs, to price controls, to wage controls, to quality controls, to prohibitions against sending gold out of a country, to the confiscation of "excess profits", to all sorts of laws for the protection of consumers.

### *Each Party Gains*

Adam Smith did not spend much energy on the gainer-loser in transactions idea. He simply stated that where a trade had been freely effected it was assumed to be to the mutual advantage of the parties. (The Austrian School has since buttressed this point with extensive theoretical demonstrations.) He did go to some length to justify profits, rent, and interest. Indeed, he held that men save and invest in order to make a profit, that the capital that results from this is the main way to prosperity, and that when men are free to compete prices and wages are regulated by it. He did acknowledge that in transactions men frequently were unable to get the best possible price for what they were selling or buying. The source of this, however, was government restraints on commerce and on the entry of competitors to the field, not that some individual was taking unfair advantage. And,

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he devoted fulsome attention to the fallacies of mercantilism and the bullion or monetary theory of wealth.

*The Wealth of Nations* moves toward one conclusion, sometimes ponderously but always masterfully – the individual and social beneficence of liberty:

> All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of society. According to the system of natural liberty, the sovereign has only three duties to attend to. . . : first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting . . . every member of the society from the injustice or oppression of every other member of it . . . ; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions. . . .[11]

### A Century of Gain

For more than a century after 1776 the thrust toward liberty gained sway in the world. The United States and England led the way in many respects. Trade restrictions among nations were either greatly reduced or removed. In the course of the nineteenth century, serfdom and slavery, where they still existed, were generally abolished. The ideas that men have an equal right to pursue their interests and that when they do so the general public benefits gained hold and were buttressed by law in many lands. There was a great creative and productive surge within nations, and the nations of the world were generally drawn together in a great trading network. Populations increased as rarely before, but the ever-larger numbers of people were more prosperous than ever. Wars still occurred, but with one or two notable exceptions they were brief and limited affairs.

By the turn into the twentieth century, though, there were already ominous signs that the tide was shifting against individual liberty. The defection of the intellectuals was already well under-

[11] *Ibid.*, II, p. 290.

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way. A spate of ideologies was gaining adherents, particularly socialistic ideologies. The system that had produced abundance on a scale never before imagined in the world was being attacked for not having made everyone affluent. Governments were beginning to impose new and old restraints on productive efforts. Nations were once again beginning to erect barriers against trade. New names and new ideas were supplanting those of the Founders of the United States and the classical economists: such names as Karl Marx, Friedrich Nietzsche, Nicolai Lenin, Benito Mussolini, and Joseph Stalin. In their wake has come the totalitarian state which threatens in varying degrees individual liberty in every corner of the world.

As fate would have it, on the two hundredth anniversary of the Declaration of Independence and *The Wealth of Nations*, the world is more in need of the ideas of liberty contained in them than it was in 1776. There is one appropriate way to celebrate the bicentennial of *The Wealth of Nations;* it is to read or re-read it. True, the sentences are long and complex, and the periods are rounded, as it is described. The language is, much of it, from a bygone era. But many of the ideas are as fresh and applicable today as when they were penned.

Nor is the celebration of the publication of *The Wealth of Nations* something for Scotland only, or for England, or even for the English-speaking countries. Adam Smith's great work was written by a Scotsman in English in the eighteenth century, but it belongs to the ages and to the whole world. He took economics out of its parochial framework where it was concerned only with the wealth of a single nation and made it a universal study, one which conceived an order in which the efforts of the individual benefitted not only his own country but peoples everywhere that trade took place. So long as the love of liberty survives anywhere, sustenance for it can be found in *The Wealth of Nations.*

The 977-page Modern Library one-volume edition of **The Wealth of Nations** at $5.95 is available from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

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# The Plot to Print a Masterpiece: Gulliver's Travels

JACK MARKOWITZ

TWO HUNDRED AND FIFTY years ago, in 1726, a half century before the United States was born, England's brightest literary men were playing midwife to a different sort of enduring political classic. Its author was one of the wittiest (which did not preserve him from being one of the angriest) geniuses who ever lived: a priest of the Church of England who would have healed the world by making it laugh at itself. A quarter of a millennium has not dulled the bite of his salubrious masterpiece, *Travels into Several Remote Nations of the World.*

Never heard of it? Yes you have. The supposed author, described on the title page as "first a Surgeon, and then a Captain of several Ships," was a restless sailor called Lemuel Gulliver.

The real author was a landlubber with a deep-grooved habit of never putting his name on title pages. The sheltering tree that would become freedom of the press was in those days still a sprig. A "scandalmonger" could lose slices of his ears; and practically anything Jonathan Swift ever wrote might have earned him bed in prison or a drubbing in some alley. He was that sort of writer. Damnably contrary, to the wreck of his own ambitions.

And *Gulliver's Travels* — the

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title bestowed by word of mouth — was his most contrary book. Unabridged, it reads as tough on the establishment as the Declaration of Independence, for which indeed it may have been a literary ancestor. Three years after the book came out Swift received from an admirer in Philadelphia the honest frontier gift of a cured ham, and *Gulliver* undoubtedly was popular reading in the colonies when young shavers named Washington, Jefferson, and Adams were forming their own tender notions of politics.

That anyone might charge Jonathan Swift, Doctor of Divinity, with fomenting revolution would of course have scandalized him. He hated war, was profoundly loyal to governing institutions consistent with law and liberty; but he detested those vices and excesses of power which eternally blight the happiness of men. In short, he was torn by the conflicts between freedom and a corrupted order that Americans would resolve a half century later in favor of revolution.

### *Seeds of Bitterness*

*Gulliver* could only have come from a soul rich in grievances, and Swift started collecting his early in life. At his birth, one might say, in 1667. He came into this world seven months after his father left it. The elder Swift having been employed as an estate manager in Ireland, the posthumous son grew up in a land energized to lyricism by ancient feelings of injury and alienation. He was educated, grudgingly, as he believed, by the bounty of relatives. All his adult life he was subject to prostrating attacks of dizziness, deafness, and fears of insanity, against which, in later years, he furiously exercised, walking or riding miles every day or, in bad weather, tramping the stairs of his house. Despising yet also craving wealth, he set out on two contradictory careers: the church and the writing of satires.

His verses and essays in the *Tatler* and other papers of literary London made him one of the luminaries of the dawn of modern journalism, though he was "famous" only to people in the know. A fashionable painting of the time, now in the London Portrait Gallery, shows him an alert, businesslike parson, elegantly wigged and double-chinned, looking up from his writing desk. "The most agreeable companion, the truest friend, and the greatest genius of the age," Joseph Addison called him. He had a prose style as lean, accurate, and keen for cutting as a scalpel. The bloated politics of his time begged for such a knife. It was his surgical journalism that

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turned public opinion against a bleeding series of wars in France, tumbled from power the glamorous Duke of Marlborough, and helped effect the Peace of Utrecht in 1713.

For this service a grateful crown awarded him the deanery of a cathedral. Not Wells, Salisbury or another of the influential English churches, but St. Patrick's in Dublin, separated merely by the breadth of England and the Irish Sea from a court that had enjoyed quite enough of his close scrutiny of public affairs.

So back to his native city he went, to the exile, in his own gentle phrase, of "a poisoned rat in a hole." Though he took up his cathedral duties with a surprising piety, in time the sheer flagrancy of the exploitation of Ireland goaded him to the risky old habit of anonymous pamphleteering. He became an underground hero to the Irish, whose plight, he once said, came down simply to this, almost a thumbnail of our own Declaration of 1776: "Freedom consists in a People being governed by Laws made with their own Consent, and Slavery in the contrary."

In 1721 he suddenly announced in a letter that he was "writing a History of my Travells [giving] Account of Countryes hitherto unknown." Not real travels, certainly. These would be voyages of the mind. The idea had popped up at some dinner of the Martin Scriblerus Club, a literary society to which Swift had belonged in his great London years. How fortunate for literature that he never got round to the project till his bile had sufficiently ripened in failure and banishment.

The moody labor took four years. Then, triumphantly, in a letter of August 14, 1725: "I have finished my Travells . . . They are admirable Things, and will wonderfully mend the World."

To Alexander Pope, a friend of Scriblerus days and by then England's reigning poet, he confided that his aim was "to vex the world rather than divert it." But he was more entertaining than he knew. The artist in him kept the preacher under control, and his rage and wit, his suffering and indignation fused into a book that is one of the greatest ever written.

### *Irresistible Adventures*

The *Travels* are, first of all, irresistible adventures. They run along fantastic but temptingly believable trains of plot, loaded with a vast freight of critical observations, commentary, digs, jabs, slashes, and thrusts. Swift is the most tireless of satirists. His blade is always cutting, forward and back, nicking the observer as well as the observed.

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There is no safe place to stand against him. Gulliver – humanity's "gullible traveler" keeps getting marooned in fascinating countries. Lilliput: where the people are six inches tall but where incessant faction, greed and war seem the more deplorably vicious just for being so small. Then Brobdingnag, a land of giants, where Gulliver gets one pride-killing lesson after another in how small *we* are. The third voyage (past the point where many children's editions leave off) takes the traveler to a "flying island" where human intelligence, the one gift that might amend the chronic botch of history, utterly wastes itself upon worthless "projects" and idle aspirations. Finally, the ironic utopia of Houyhnhnms and Yahoos: civilization itself hopelessly lost to a brutalized humanity and taken up by a species more qualified, the horse.

Like the best science fiction, it all comes off with precise, credible details and with what George Saintsbury called "the dexterous relief of the satirist's lash with the mere tickling of the humorist." And the cream of the jest is that every queer country Gulliver visits is unmistakably one's own.

In March of 1726 Swift took ship with his manuscript to England. He was 58 now and wore what Dr. Johnson calls "a countenance sour and severe, which he seldom softened by any appearance of gaiety." Yet he must have enjoyed that spring and summer 250 years ago as a guest at Pope's villa in Twickenham, near London. There were country excursions and dinners, long evenings spent over a good bottle and good talk with old friends still near the center of things: among others John Gay, author of *The Beggar's Opera,* and John Arbuthnot, who had been physician to Queen Anne.

### *Selling the Manuscript*

The survivors of Martin Scriblerus were well content with the "Travells" – and determined to bring it to market. Not only would they find Dean Swift a publisher but also wangle a fee for him, the first – and as it happened, the last – that the greatest satirist in the English language ever pocketed for a piece of writing.

Soon afterward Benjamin Motte, a printer in Fleet Street, received a letter from someone claiming the name Richard Sympson. He announced that as "manager for my friend and cousin," a certain retired Captain Gulliver, he, Sympson, had been entrusted with the memoirs of marvellous voyages. "I know the author intends the profit for the use of poor seamen," the letter said, "and

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I am advised to say that two hundred pounds is the least sum I will receive on his account."

Motte was not duped. He was the successor to Swift's old publisher and he undoubtedly had been warned to expect the dean's "Travells" one day in some such melodramatic disguise. He only balked at a demand that within three days he "deliver a bankbill of two hundred pounds, wrapped up so as to make a parcel, to the hand from whence you receive this." He counter-offered payment six months *after* publication and won the point.

The manuscript probably was recopied to remove any trace of the real author's hand, and Swift departed for Ireland, home, church, and alibi. Then one September night a hackney coach stopped at the printer's door and a package of copy sheets changed hands in the dark. Motte never saw Cousin Sympson's face.

About a month later – the date deserves remembrance: October 28, 1726 – the book went on sale.

### The Sales Continue

The rest, it is fair to say, is history: a publishing history that shows no sign of ending, with some two dozen editions currently in print in English, scores of others in languages around the globe, and Gulliver sailing off in translation each year on new *voyages, viaggi, viajes, podroze,* and *reisen* unnumbered.

Happily the author had a glimpse of this immortality while alive. (He died 19 years later at age 77 in 1745, senile, modern scholars and medical experts now agree, rather than "mad," as his detractors long alleged.) The book's first printing sold in a week and "hath been the conversation of the whole town," John Gay wrote to Swift from London. "Gulliver is a happy man that at his age can write such a merry work," chimed in Dr. Arbuthnot, predicting "as good a run" as that of *Pilgrim's Progress.* "'Tis generally said that you are the Author," slyly reported Gay, but "you are not much injur'd by [this] . . . From the highest to the lowest it is universally read, from the Cabinet-Council to the Nursery."

There was prophecy in that, too. By chopping so extensively that many people who think they have read *Gulliver's Travels* actually have read perhaps half of it, editors succeeded in hacking a "children's classic" out of a work thought to be so politically loaded it required publication by secret plot.

And it is still loaded. The essential political vision of the Rev. Dr. Swift has dated astonishingly lit-

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tle. To our Bicentennial celebrations he would bring the sobering perspective that changes in governmental form do not, for very long, improve the political behavior of man himself. The whole cannot be a great deal more than the sum of its not terribly noble parts. Lilliputian meanness will lower the quality of public life under presidents as well as kings, in parliaments as easily as palaces.

A century in which the sheer amount of destruction, decadence and despotism actually perceived has outflown the farthest reach of Swiftian imagination can get a special shock of recognition out of Gulliver's ultimate judgment on mankind. Driven mad (but supershrewdly mad) by a society of humane animals and brutish humans, the traveler perceives that man is, after all, merely a designing beast — "a sort of animals to whose share, by what accident he could not conjecture, some small pittance of reason had fallen, whereof we made no other use than by its assistance to aggravate our natural corruptions, and to acquire new ones which Nature had not given us."

There, in a few words, is the human dilemma: as challenging in 1976 as it was in 1726. The men who plotted to print a masterpiece 250 years ago, like those others who plotted to found a nation 200 years ago, never meant to leave us perfectly comfortable with ourselves as we are.

IDEAS ON LIBERTY

### *The Planners of Balnibarbi*

IN THESE COLLEGES the professors contrive new rules and methods of agriculture and building, and new instruments and tools for all trades and manufactures, whereby, as they undertake, one man shall do the work of ten; a palace may be built in a week, of materials so durable as to last for ever without repairing. All the fruits of the earth shall come to maturity at whatever season we think fit to choose, and increase an hundred fold more than they do at present, with innumerable other happy proposals. The only inconvenience is, that none of these projects are yet brought to perfection, and in the mean time, the whole country lies miserably waste, the houses in ruins, and the people without food or clothes. By all which, instead of being discouraged, they are fifty times more violently bent upon prosecuting their schemes, driven equally on by hope and despair . . .

From *Gulliver's Travels*, JONATHAN SWIFT

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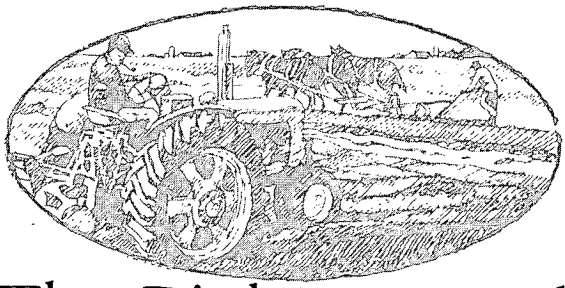

# The Right to Food

E. C. PASOUR, JR.

PEOPLE IN THE U.S. and throughout the world now have a heightened awareness of the age-old problems of hunger and poverty. It has been estimated that 460 million people throughout the world today suffer from acute malnutrition. At the same time, capacity to produce food is at an all time high in the U.S. and throughout the highly developed countries. Increasingly, questions are being raised about the apparent injustice of this coexistence of hunger and affluence.

The movement to provide more food to hungry people throughout the world has increased significantly since the early 1970's. The 1974 World Food Conference in Rome took what many regarded as an essential first step. The conference adopted an objective that within a decade no child will go to bed hungry and that no family need fear for its next day's bread. In the same spirit, a "Right to Food" resolution was introduced in both houses of the U.S. Congress in 1975. This resolution declares that every person in the U.S. and throughout the world has the right to a nutritionally adequate diet. The resolution has received the official sanction of various religious groups. Members of the Lutheran Church in America, for example, have been exhorted to contact their Representatives and Senators to "urge its passage."

The concerned citizen cannot be oblivious to his neighbor's condition. The fact that a problem exists, however, does not imply that all possible solutions are either feasible or right. What should be the attitude of the morally sensitive person toward this

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(or any other) "Right to Food" resolution? Do we, as individuals, have an obligation to support this legislation? More generally, what should be our stance toward world hunger problems? What can we as individuals do to alleviate the hunger problem facing half a billion people throughout the world?

The purpose of this paper is to analyze the "Right to Food" resolution. In doing so, the legitimacy of the right to food by citizens in the U.S. and in other countries will be discussed. The distinction between public and private charity will be stressed. Finally, limitations of charity as a long-run solution to hunger and poverty will be described.

### *The Concept Examined*

There can be no universal right to food. The concept of the right to food cannot be supported on either economic or moral grounds. First, consider the economic implications of the right to food. The right to food basically involves the problem of income distribution. Food is man-produced. Proposals which assume a right to food (or income) by individuals within or outside the U.S. imply that there is no relationship between the incentives of food producers and food production. Many of the countries in which the hunger problem is most acute have attempted to ignore this relationship.

The right to food is fundamentally no different than a right to housing, clothing, and the like. Thus, there can be no economic bill of rights assuring everyone a specified level of "necessities," since dividing income differently will affect the output of goods and services and, consequently, the amount of income to divide. That is, the more equal the income distribution, the less enthusiasm there will be on the part of individuals to engage in wealth-producing activities.

Food and other goods must be produced before they can be distributed. This is just as true for a highly developed modern economy as it was for Robinson Crusoe. The absurdity of the concept of "Right to Food" is obvious in the case of a Crusoe economy. The same basic problem remains, however, for a modern economy. There is no way to legislate prosperity for all.

The recent bankruptcy of New York City is a predictable outcome of an attitude by public officials which holds that "we will not be constrained by economics in caring for our citizens." The minimum wage provides another good example of attempting to increase incomes by ignoring economic principles. Increases in the mini-

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mum wage cannot be used as a device to insure a minimum amount of income for all. Instead, the evidence in scores of examples has shown that the effect of an increase in the minimum wage is to eliminate jobs for marginal workers – not to increase their income.

Though a policy which is not feasible from an economic standpoint could hardly be moral, there are other moral objections to any universal right to food. Any right to a given level of food must be at someone else's expense. Granting individual A the right to food (or any other good) means that an obligation is simultaneously being imposed on person B to provide the food since food must be produced to be consumed. Any right for one individual which imposes an unchosen obligation on other individuals can hardly be regarded as a moral right. This point is closely related to the distinction between "public" and private charity.

### *Public vs. Private Charity*

Charity by its very nature implies a voluntary, freely chosen act. However, the "Right to Food" resolution involves not private charity but an involuntary gift of food (and income) from people who are not disposed to provide such aid. The "Right to Food" resolution involves the use of the state's power to collect from individuals more than they are willing to contribute privately. Any individual is now free to contribute privately as much as he chooses for domestic and foreign relief agencies. The "Right to Food" resolution means, however, that individuals should be forced to contribute more to such work than they freely choose.

Support of legislation to coerce individuals into performing or abstaining from particular actions is inconsistent with the Judaeo-Christian concept of freedom. Blue Laws, prohibition, and anti-pornography provide other recent examples of legislation attempting to coerce individuals into particular modes of behavior. Freedom involves choice, not necessity, but means little if man is not free to choose – to choose good as well as evil. Thus, it is difficult to understand why a religious imprimatur should be placed on legislation intended to coerce individuals into supporting a particular activity. Such legislation will inevitably restrict the individual's freedom of choice.

The act of supporting legislation affecting income levels on moral grounds raises a host of questions – theoretical and practical. Numerous groups, some preponderantly low income (e.g., eld-

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erly) and some preponderantly high income (e.g., doctors and lawyers), use or attempt to use the power of the state to affect their incomes. What moral basis can one use to determine whether the income of a particular individual or group is too high or too low? The Aristotelian idea of a "just price," meaning anything other than the competitive market price, has long been discredited. The idea of a "just wage" determined administratively is just as spurious. The market provides only the objective basis for determining what the wage of a particular individual should be.

In reality, the incomes of most groups are influenced by the political process. Decisions to increase school teacher salaries or the level of social security benefits for the elderly, for example, are made in the political arena and reflect the political power of their individual constituencies. However, we have no objective basis apart from market forces for determining the "just" level of income for these or any other groups.

The fact that individuals or groups have no moral basis for attempting to coerce other individuals into involuntary acts does not mean, of course, that the hunger problem is not worthy of our attention as individuals. We cannot be oblivious to problems of hunger and malnutrition within the U.S. or in less-developed countries. Private charity is an important activity and can often play a key role in alleviating distress. Unfortunately, the impulse for private charity and the individual's concern for his fellow man is being reduced by the progressively larger role of "public charity."

Right to food resolutions also have a pernicious effect in fostering expectations which, aside from problems of economic scarcity, are incapable of being fulfilled. There is no way to assure everyone the right to a nutritionally adequate diet or to insure, as proposed at the Rome Conference, that "no human being's future and capacities will be stunted by nutrition." Nutrition problems exist in all countries for persons at all income levels. All parents know that providing the proper food does not guarantee that a nutritious meal will be eaten. Interest in "Weight-watchers" and other diet programs indicates that practical difficulties associated with eating properly (even when food is abundant) are not limited to children.

### *Alternatives*

For most of the world's hungry people, however, the basic problem is to obtain enough food. The question is not whether the plight

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of hungry people should be alleviated, but how. If the "Right to Food" resolution is not the proper approach toward alleviating hunger, what should we as individuals do? There is certainly a key positive role for private charity. Such aid can perform a valuable role in providing temporary relief in case of earthquakes, floods, and other disasters.

Western "imperialism," lack of resources and weather are being used as scapegoats by many underdeveloped countries to hide the effects of their own mismanagement. The advantage of abundant resources can easily be negated by government policies (as in Jamaica). On the other hand, Hong Kong, Singapore, South Korea and Taiwan demonstrate the fact that resource-poor areas can develop when economic incentives are present. The fact that Russian farmers produce 25 percent of their food in private plots worked by farmers in their spare time provides additional evidence of the effect of economic incentives on output.

The only long-run solution to low income and hunger is to increase the output of the people involved, since wages depend primarily on the productivity of labor. For a given economic system, the productivity of labor depends on the amount of resources, including machinery and equipment available to work with. Increasing the ratio of capital to labor requires incentives to invest and produce. Yet, many of the underdeveloped countries fail to provide the climate for economic development, with an overt hostility toward a system of economic incentives.

Attempts to avoid the "mistakes" of a market economy through comprehensive central planning in "Third World" countries are almost certain to impede economic development. There are no short cuts to economic development or panaceas to solve low-income and hunger problems. Capital formation requires time, and hasty decisions adversely affecting investment by domestic and foreign investors can affect the lives of a country's inhabitants for decades to come. The shortages, "bottlenecks" in production, low emphasis on output of consumer goods, and the like in Russia and other centrally directed economies are predictable results of relying on central control instead of the market in organizing economic activity. The typical person has little appreciation of the way in which the price system of a market economy provides information to market participants. For example, the amount of information required and number of decisions involved in getting a

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loaf of bread into a consumer's hands is staggering to contemplate.

Though charity may alleviate some temporary distress problems, the only long-run answer to world hunger and low income lies fundamentally within the countries themselves. Neither private nor "public" charity is an effective substitute for basic political and economic reforms. Good intentions are not enough. "Right to Food" resolutions, whether passed or not, are likely to have a harmful effect on development efforts, since they divert attention from the basic problem. If enacted, such resolutions may also impede long-run development by enabling developing countries to adopt policies which discourage capital formation both from within and by foreign investors.

# The Problems of Halting Economic Growth

DWIGHT R. LEE AND
ROBERT F. MCNOWN

ECONOMIC GROWTH is no longer a universally accepted goal of economic policy. To be sure there are still plenty of defenders of economic growth, but it has become increasingly fashionable to criticize continued growth as undesirable and unsustainable. The debate surrounding this issue has centered almost entirely on the question of whether our resource base is adequate to support the demands of a growing economy. Without going into detail here, it is our judgment that historical evidence and economic analysis re-

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quire that this question be answered with a resounding affirmative.

The purpose of this paper, however, is to address an important aspect of the growth versus no-growth debate that has been largely neglected. There has been little discussion of the problems that would be encountered in actually formulating and implementing a policy of zero economic growth. Despite the importance of these problems in assessing the desirability of the no-growth position, they have been brushed aside by those pushing for a halt to economic growth. According to E. J. Mishan, one of the most articulate advocates of zero economic growth (in his words, a steady-state economy):[1]

> The actual means whereby a steady-state economy is to be brought into being – the rationing of raw materials, the controls on technology, etc. – and the level of affluence to be sought are important subjects of discussion. But in the existing state of social awareness, they are perhaps premature. . . . The aim of the ecologist and environmentalist is not a no-growth economy per se. It is to win *acceptance* by the public at large of a no-growth society.

[1] E. J. Mishan, "Ills, Bads, and Disamenities: The Wages of Growth," in *The No-Growth Society*, eds. M. Olson and H. H. Landsberg, W. W. Norton and Company, 1973, pp. 81-82.

### *Why Does Growth Occur?*

One may also say it is premature to feel an urgency to convince the public of the desirability of a proposal until it has been fully thought through. Certainly a consideration of the implementation and functioning of a zero-growth economy is crucial in assessing the overall desirability of such an economy.

In considering the question of how growth in the economy is to be halted, it is wise to ask why economic growth occurs in the first place. The motivating force behind our economic growth has always been the desire of individuals to improve the economic well-being of themselves and their offspring. Government policy can help by creating a stable political environment, protecting property rights, and not destabilizing the economy with inappropriate monetary and fiscal policy. But without individuals seeking to improve their lot by working, innovating, saving, and investing, economic growth would not take place. This means that achieving a no-growth society would require denying people many of the opportunities and freedoms they now have to improve their situation. The question of how this is to be accomplished poses problems that are crucial in assessing the merits and liabilities of a no-growth economy.

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Certain attributes are desirable in any economy, whether growing or not. One of the most important of these is that our resources be used as efficiently as possible to produce those goods and services most valued by consumers. Certainly this has to be considered an important attribute to those who feel that a dwindling resource base makes halting economic growth an imperative. Stopping economic growth clearly shouldn't mean halting technological improvements that allow a given set of consumer desires to be satisfied with reduced demands on our resources. If a no-growth policy restricted this technological growth, it would frustrate the mechanism that has provided us with a growing usable resource base in the past and can continue to do so in the future. And as we are about to see, the implementation of a no-growth policy is very likely to hamper technological advances. In so doing, such a policy would probably hasten the very problems its advocates claim it will postpone.

### *Market Allocation*

In a market economy the efficient use of resources is accomplished primarily by private producers responding to prices of productive inputs and outputs. Output prices provide information on consumer preferences, with the relative price of a good increasing in response to an increase in consumer demand, which in turn motivates producers to increase their production of the good. Prices of productive inputs reflect their value in their most productive employments in the economy. Therefore, with producers responding to these input prices in their attempt to produce as cheaply as possible, the cost of producing commodities is kept to a minimum, with substantial rewards going to those who can innovate more efficient ways of producing. While the market mechanism doesn't always work perfectly, it works better than any other mechanism yet conceived.

But without a large amount of freedom afforded to the individual to spend his money as he desires, and to allocate his productive resources and talents as he sees fit, much of the advantage of the market mechanism is negated. This brings us face to face with the problem of how zero economic growth can be achieved without obstructing the desirable allocation of our resources among competing uses.

### *How Assure Constant Output?*

It may seem quite simple to design an effective policy imposing zero economic growth. The government could pass and enforce a

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law requiring the value of production to remain constant from year to year. However, some problems come immediately to mind. First of all, what mechanism can the government use to insure that output doesn't increase? One possibility would be to place quotas on the quantity of each good to be produced. If this is done a major problem is that of determining which goods should be produced and in what combination.

As previously discussed, a crucial goal of any economy is that these decisions be made to conform to consumer preferences. These preferences vary widely from individual to individual and change unpredictably through time. It takes an extraordinary amount of information to keep the productive process responsive to these consumer preferences. It is optimistic indeed to hope that any government agency would be able to keep abreast of this information and maintain the desirable production quota system. Optimism would require not only tremendous confidence in the government's ability to keep current on changing preferences, but also great faith in its ability to make decisions independent of political pressures.

Assume, for example, that consumers began to sour on the automobile as the almost exclusive form of personal transportation and that millions of individuals decided that bicycles offered a more desirable alternative. With production decisions being made in response to market forces, we would find a reduction in auto production as auto manufacturers found fewer people willing to buy their product at prices that covered their cost. On the other hand, with increasing numbers of people willing to spend money on bicycles, producers of bicycles would expand output in response to higher profits.

### *Problems of Control*

It's hard to imagine this adjustment occurring so smoothly if the decision of auto versus bicycle production was under the control of a government agency. Under these circumstances automobile manufacturers would find it to their advantage to invest heavily in lobbying against any reduction in their production quotas. They could come up with any number of "justifications" for maintaining high production levels for autos. Of course, bicycle manufacturers could, and probably would, lobby for an increase in their production quotas; but being much smaller and less influential politically, they would have an uphill task getting their quota enlarged at the expense of the automobile quota. The

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bicycle manufacturers certainly wouldn't get any help from the oil industry or the highway lobby, both of which would take an active interest in the issue. Meanwhile, the consumer, who should be the important decision-maker, will hardly be heard from in the decision-making process.

Extend our example of autos and bicycles to include razor blades, running shorts, motor boats, tennis balls, insect repellent, shoe repair services, dental repair, textbooks, soy beans, and the like, and it is clear that vesting government with the authority to determine the allowable production of each conceivable good and service would be a frightfully clumsy and wasteful way to halt economic growth.

But there are further difficulties involved in direct government control. Once the quota for a good has been established, decisions as to which producing units are to fill that quota would have to be made. Suppose, for example, that an individual developed a new technique for making sleeping bags, and as a result thought he could give consumers a better bag than was currently available and at a lower price. Operating under the market mechanism, this individual could invest his money in manufacturing and promoting his sleeping bag. If his assessment of his bag wasn't consistent with that of the consumer, he would soon find it advantageous to direct his talents and money elsewhere. On the other hand, if consumers did find his sleeping bag preferable to existing bags, his production and revenue would expand while the production and revenue of his competitors would fall. Eventually our innovator's techniques would be imitated and all producers would be producing better bags for less, much to the consumer's benefit.

### *The Consumer's Interest*

If a government agency rather than the market was responsible for deciding for each product which firms could expand output and correspondingly which firms had to reduce output, it's doubtful if the interests of the consumer would be promoted. For practical purposes it would be impossible for a government agency to have the information on changing productive techniques necessary to know, for each product, which firms should be expanding and which should be contracting. Not having this information, the agency would soon find itself relying on the expertise of the existing firms in each industry in order to make its decision. Each firm in an industry would soon learn that in order to protect or enlarge its market share, it has to appeal to

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the judgment of the regulatory agency rather than that of the consumer. Technological improvements and product innovations would be found less useful to the aggressive firm than its lobbying activities and influence with the right regulators. Unfortunately, this wouldn't create the type of environment that a new firm with an improved product or lower price will find very hospitable. Well-established firms in the industry could be expected to use their influence to prevent such intruders from ever getting their product to market.

This is more than idle conjecture. We unfortunately have had plenty of experience with government agencies regulating such things as market share and entry in many of our industries. For example, since the Civil Aeronautics Board was established in 1938 to regulate our airline industry, not one new airline has been permitted to enter into long haul competition with the existing airlines.

Another example comes from the Interstate Commerce Commission (ICC), an agency of the federal government charged with regulating interstate ground transportation. In 1961, Southern Railroad had developed a grain-carrying car that allowed them to cut their freight rates on grain by 60 percent and requested the ICC to permit this reduction. It was estimated that this innovation would save consumers millions of dollars annually. Yet the ICC, in sympathy with barge lines, trucking firms, and other railroads, all of which competed with Southern Railroad, refused to allow the rate reduction Southern requested. It wasn't until 1965, after the case was nine times before lower federal courts and twice before the U.S. Supreme Court, that the ICC quit fighting the rate reduction and allowed it to go into effect.[2]

Many other examples could be given indicating the tendency of agencies charged with regulating industries to completely lose sight of the consumer interest. But by now our point should be clear. Attempting to halt economic growth by controlling the permitted output for each good and service would be inconsistent with the goal of using our resources as efficiently as possible to produce a combination of goods and services compatible with the preferences of consumers. The cost of halting economic growth in this way would be so high that only the most enthusiastic no-growth advocate would find it acceptable.

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2 For a more complete discussion of this case, see Louis M. Kohlmeier, Jr., *The Regulators: Watchdog Agencies & The Public Interest*, Harper & Row, 1969, pp. 121-128.

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### *Let Consumers Choose, But Limit Total Income*

Having a government agency decide on the combination of goods and services to be produced, isn't the only way zero economic growth could be imposed. Another possibility is to let consumers spend their incomes as they see fit, but limit the total income that can be earned in the economy. This would seem to have the advantage of allowing consumers to decide what should be produced and encouraging producers to be innovative and efficient with their use of resources. But, of course, we now have the problem of controlling incomes. And, unfortunately, for this approach, there is a strong relationship between how consumers exercise their preferences for goods and services and how individuals earn their incomes.

People earn their incomes by responding to the desires of consumers, producing and perfecting those things on which consumers are most anxious to spend their money. As we have already pointed out, this provides the incentive for producers to use resources efficiently and creatively in order to provide consumers with better products at lower prices. But people get rich doing this, and in so doing they invariably enrich countless others by creating highly productive jobs and permitting consumers to obtain more with less effort.

So any attempt at controlling the incomes consumers have to spend will require strict controls or strong disincentives against creative responses to the wishes of consumers. This doesn't necessarily mean that the government would have to apply direct restrictions on innovative behavior. A high enough tax on profits or investment returns could sufficiently discourage investment in capital and technological improvements to be consistent with a no-growth economy. But whatever the means, only by discouraging producers from responding to the consumers' desire for better products at less cost will it be possible to prevent incomes from increasing.

It's hard to see, therefore, where this approach to controlling economic growth has eliminated the disadvantage of direct controls on output. Both approaches will have the effect of insulating the actions of producers from the desires of consumers.

### *Reducing Income Mobility*

Attempting to control incomes and dampen investment presents another, but related, problem. The necessity of controlling innovative responses to consumer preferences means controlling one of the most important sources of income

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mobility in the economy. Despite much ridicule of the Horatio Alger "myth" the evidence indicates a substantial amount of income mobility in the U.S. from one generation to the next.[3] There are plenty of opportunities for the ambitious and capable individual to become wealthy even though born into poverty. Likewise, being born into wealth is no guarantee that an individual can remain both indolent and affluent for long. The primary source of this mobility is that those who are productive are rewarded while those who are unproductive aren't. Attempts to control income would surely reduce income mobility in our society by hampering the mechanism that produces it. Restricting people's ability to develop more productive techniques or train for more productive employment would restrict the means by which individuals have been able to improve their economic situation. It also restricts the competition that forces those who have achieved economic success to either remain responsive to consumer desires or move down the economic ladder. With perhaps a little cynicism, we note that no-growth advocates are seldom positioned in the bottom half of the income distribution.

Designing and enforcing a policy to halt economic growth would be a difficult task. If such a policy were actually imposed, many of the consequences would be unfortunate. It would reduce the influence that consumers have on the choice of what is to be produced. Coupled with that is the stifling influence the implementation of such a policy would have on motivations to produce efficiently and creatively. We would also find a more regimented society, with far less chance for the relatively disadvantaged in society to improve their situation through ingenuity and hard work. The likely consequence of this calcification of society would be disruptive social unrest or the emergence of a caste system in which people knew their place and accepted it.

If the advocates of eliminating economic growth feel we are faced with an imperative, they had better come to grips with the serious problem of implementing their proposals. It is our judgment, however, that they have first failed to establish the imperative for a no-growth policy, and secondly, have no positive proposals on how such an economy could be implemented without unfortunate consequences.

[3] See Peter M. Blau and O. D. Duncan, *The American Occupational Structure*, New York, Wiley, 1967.

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# How Much ? Competition

BRIAN SUMMERS

ONE OF THE ARGUMENTS used against free enterprise is that there is *too much* competition, that the business world is "dog eat dog" and "cutthroat." Another argument used against free enterprise is that there is *too little* competition, that the business world is dominated by monopolies and oligopolies. Opponents of liberty, it seems, believe in touching all bases.

Is there too much competition? Is there too little? How much should there be?

Let us answer these questions by examining the more basic question: What is the meaning of business competition?

Unfortunately, many people try to answer this question by counting noses. If a given industry has many firms, they call it "competitive." If an industry has few firms, they call it "noncompetitive."

A little reflection reveals the shortcomings of this criterion. It tells us the number of firms in an industry, but it doesn't tell us what they are doing. And if a nose count doesn't tell us what the firms are doing, it certainly doesn't tell us if they are competing because *competition*, if it is to have any meaning, must refer to actions, not just the number of contestants.

What, then, is the meaning of business competition? Well, what do businessmen do? The answer, of course, is they try to earn profits.

And the only way businessmen can earn profits is by cutting costs of production, since there is very little they can do about the selling prices of their products.

To see this, first consider costs of production. The businessman

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can choose from a wide variety of known production processes; he may even develop a new process. Clearly, there is much the businessman can do to try to cut his costs by making more efficient use of his men, materials, and machines.

Once his products are finished, however, there is little the businessman can do except name an asking price and wait. If people buy his product, fine. If they don't — if they prefer the products of his competitors — he has little recourse other than to lower his asking price, perhaps by offering rebates.

And who are his competitors? They are the manufacturers of identical products, similar products and, in fact, all the other producers who bid for the consumer's dollar. Each businessman must also take into account the potential competitors who stand ready to enter his field the moment his profits start to look good. Thus, General Motors competes with Ford, Chrysler, American Motors, foreign auto makers, the manufacturers of motorcycles, bicycles, buses, trains, and airplanes, the potential manufacturers of these items, and everyone else who hopes to win the consumer's approval. The folly in attempting to count competitors is now apparent: In a free market, all businessmen are competitors.

Free market competition benefits everyone. It encourages businessmen to introduce new products and make efficient use of resources. It yields profits to those who give consumers what they want and losses to those who don't. Profits enable efficient producers to expand production, while losses stimulate inefficient producers toward greater efficiency.

Too much competition? That is like asking if there is too much efficiency and not enough waste. Too little competition? Only when government licenses, franchises, and other regulations prevent people from entering a given field. How much competition should there be? Let all people be free to compete in a market economy, an economy that offers a fair field, with no privileges or favors available from the government.

IDEAS ON LIBERTY

***Ludwig von Mises***

THERE IS in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for.

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# Eat, Drink, Talk

FRANCIS E. MAHAFFY

BACK IN 1961 I pointed out that instead of a time of progress and development for the great continent of Africa, the chains of a far deeper servitude than that of colonial rule were being forged with a "Made in Moscow" or a "Made in Peking" label attached.[1] For twenty-three years I have lived and worked in Eritrea, now a province of Ethiopia. I observed firsthand the changes in that land from the time shortly after the Italians were defeated, through the eleven years of British rule, ten years as a federated state of Ethiopia, and since 1962 as a province of Ethiopia.

One day while traveling back country I stopped in the last tea-shop before entering forty miles of hot dusty desert. While I was leisurely drinking tea and eating a hard biscuit, a man engaged me in conversation and asked if I wanted to know the difference between the Italian colonial rule, the later British rule (from 1941 to 1952) and the subsequent rule of Eritrea by Ethiopia.

His graphic description of the three governments appeared to me to characterize the history not only of Eritrea but of much of Africa in recent decades as countries one by one have been freed from colonial rule. Under the Italians, he

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[1] *Essays on Liberty*, Vol. IX, Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1962, p. 191.



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said, the people were commanded to *bet, u'ub, mawanishin* which translated is, "Eat, drink, don't talk." Under the British it was *mabetin, ma'ubin, wanish* – "Don't eat, don't drink, talk." Now, under Ethiopian rule, it is *mabetin, ma'ubin, mawanishin* – "Don't eat, don't drink, don't talk."

Under Italian rule which began toward the end of the last century the Italian immigrants built roads and a mountain railroad, planted tropical fruit orchards, raised cattle and poultry, opened small factories and garages, built houses and cities and greatly improved the economy. To be sure, later under Mussolini's Fascist regime much wealth was poured into the country to support the ruthless attack on Ethiopia in 1935. But whether for legitimate enterprise or the illegitimate business of military conquest, under the Italians the people generally had enough to eat and drink, the economy was healthy, though there was little freedom of the people to express themselves.

When the British conquered Eritrea in 1941, they confiscated as war booty the large cement factory in Massawa and other industries. They had little interest in the economic development of the country as they were a temporary caretaker government. There was progress in improved civil service, education, and other areas, but little economic development. So many lacked enough to eat and drink; they suffered from economic depression. Under United Nations pressures the British opened the land to the formation of political parties.

This new idea was received with so much enthusiasm that numerous pro-Ethiopian and pro-independence political parties formed, armed themselves and began three years (1949-1952) of intense political activity. Among their purposes was to destroy the opposing political bands, robbing to support themselves, with one party bent on the murder of Italians. Travel on the roads was only in armed convoy. One political band robbed us at gun point and then demanded a future payment of $45 (this was before the inflation of the 60's and 70's) on pain of death – a payment we refused to make. Three years later the bandit chief who set the price on my head was apprehended and hanged for multiple murders.

### *Union with Ethiopia*

The fruit of the freedom of speech was federation with and later union with Ethiopia (although many contend that this did not represent the true feeling of the people). Union with Ethiopia did not improve the economic situation and it greatly diminished the

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freedom to talk. Political favoritism and misrule by the Ethiopian ruling class who were not liked by the diverse tribes of the province of Eritrea led to growing discontent. Some of the pro-independence bands collaborated to form the Eritrea Liberation Front (ELF). They were strengthened when Russia, and later Communist China (with aid also from the neighboring Arab states) upgraded their arms, financed the military training of their leaders – and indoctrinated them in the ideology of Karl Marx.

The ELF was increasingly committed to the communist philosophy, and the same influence was quietly pervading the educated classes in Ethiopia proper. Haile Selassie, a powerful monarch and skillful diplomat, succeeded in preventing overly-ambitious cabinet members, governors, and other high-ranking officials from securing too much power by frequently changing their positions or appeasing them with gifts of land. For many decades as a popular emperor he held the diverse elements in the country together.

In the late 50's and 60's, against the counsel of some of his advisers, His Imperial Majesty made official visits to communist countries and invited teachers, technicians, doctors, and many others from these lands to Ethiopia. Their influence, along with that of the professors of the new Haile Selassie University in Addis, began to spread through the country. Students at the University, in the high schools, and even in the grades became increasingly committed to the ideology of Karl Marx. This influence was strong enough among some military leaders to enable them to successfully overthrow the old regime, execute many of the former leaders, depose the king, and establish a socialist Ethiopia.

Like Uganda, Angola, Nigeria, and many other African countries, Ethiopia has found the road to the socialist utopia a path strewn with corpses. Nor has all the bloodshed been the blood of those who preferred the old order and resisted the advance of the socialist ideal. Five to ten thousand were reported killed last spring when the ELF beseiged Asmara, the capital of Eritrea, and the Ethiopian army defended it with tanks, guns, and planes. Far more civilians apparently were killed than were members of the army or of the ELF.

### Civil War

As is so often the case, two groups professing the same basic goals are engaged in a bloody battle. The ELF describes the socialist Ethiopian rulers as "Im-

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perialists and Colonialists." Within the ELF there have been, as is the case elsewhere, rival pro-China and pro-Russia groups. The pro-China branch of the Peoples Liberation Front (PLF) is reported to have suffered a serious defeat by the ELF some months back. In Ethiopia thousands of Chinese Communists have been invited in recent years to help implement the new socialist policy and to help the Ethiopian students educate the back-country illiterate people and to establish cooperatives on the land which has been taken and redistributed to the peasants.

The official declaration of the economic policy of the new Ethiopia is pure socialism. Major industries and all banks and financial institutions have been nationalized. A few small businesses are to be left to private ownership though under strict government controls. Even some private schools and hospitals are to continue for a while under private control until the government is able to assume this responsibility. The official paper of socialist Ethiopia states:

> The basic cause of the economic exploitation of man by man is the private ownership of the means of production. The ownership of the major means of production by a small section of the population in a situation where the vast majority of the population has nothing but its own labour power leads to the exploitation of the many by the few and to a highly uneven distribution of income. The elimination of exploitation through the public ownership and control of the major means of production is therefore one of the primary goals of Ethiopian Socialism.[2]

### *Ideals and Motives*

While it would be naive to believe that pure idealism and not the ruthless struggle for power is often the driving motive behind the leaders of the socialist movement, yet it is the ideals that draw the multitudes to rally to its banners. The Ethiopian socialist paper states:

> . . . the major and immediate economic goal of Ethiopian Socialism cannot be but the elimination of poverty through the development of the productive forces and the consequent expansion of production and the prevention of exploitation of the Ethiopian people.[3]

A leader in the ELF in talking to Debbie Dortzbach, who was kidnapped by them and held captive for twenty-six days, said to her, "We're fighting for peace and contentment. When the ELF win our freedom, Eritreans will have peace and much more: education, health

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2 *Declaration of Economic Policy of Socialist Ethiopia*, 1975, p. 4.

3 *Ibid.* p. 3.

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care, and productive farming. Then there will be freedom at its best."[4] With the savagery of Ethiopian rule vivid in their minds, the people of Eritrea generally have rallied behind the ELF, making it extremely difficult for Ethiopia effectively to rule Eritrea even with a military victory.

Socialism in Ethiopia, however, is really not a new idea. There has been a change in rulers, and the assets of some wealthy former rulers have been taken and their land given to the people; but there is little change in the idea that the State is the mother and caretaker of the people.

Some years ago I was arrested and underwent interrogation by officers in the Ethiopian army, the police, and finally by the Criminal Investigation. One of the charges against me (the only true one) was that I had given charity to some widows and orphans who were not approved by the State for private charity. I was repeatedly told that charity is the work of the State and if I wanted to help people, I must give my contributions to the governing body to distribute. (In the U.S. one is not yet arrested for helping poor widows and orphans, but charity is popularly deemed to be the work of the State and not of individuals, families, and voluntary institutions.)

Peace, economic progress, and freedom, the "Eat, drink, talk" of my friend in the teashop, is the goal of most people, even of multitudes who profess adherence to socialist ideology. It is inevitable, however, that socialism in Africa or elsewhere is incapable of attaining these goals. There are a number of reasons for this fact. Socialism is the rule of men and not of law. As the Ethiopian socialist paper puts it:

> The Government, because of its control of the commanding heights of the economy, can engage in a meaningful and effective planning, marshalling available resources and generating and directing popular participation to carry out the historic task of transforming Ethiopia from a land of poverty into one of prosperity.
>
> The Government can, because it controls the resources, direct all available resources, both physical and human.[5]

### *Uncertainty Hinders Progress*

Where men gain control of their fellow men, even though their motives should be the highest, the resultant uncertainty makes planning, investment, and wise economic decisions impossible. Under

[4] Karl and Debbie Dortzbach, *Kidnapped*, Harper & Row, 1975, p. 118.

[5] Declaration of Economic Policy of Socialist Ethiopia, 1975, p. 3.

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law which is known by all and enforced, the individual and entrepreneur can plan for the future. Where the whim of the man in charge determines the profits attainable by those from whom he is able to confiscate wealth which he deems excessive, the very motive for the planning and investment essential to progress and prosperity is eliminated. Socialism can control the economy only by controlling the people. General Teferi Banti, the Premier of Ethiopia, said:

> Not only have the masses of farmers efficiently organized themselves to carry out the revolution by wiping out reactionary forces and feudal landlords, but they have started to show their productive capacity by running collective farms.[6]

Reactionaries, i.e. non-socialists, must be *wiped out*. Recently the new government leaders executed without trial over sixty former leaders in Ethiopia, not all of whom were by any means "right wing reactionaries."

While there has been little semblance of a free press in Ethiopia in the past, one of the fourteen activities reserved exclusively for the State is "Large-scale printing and publishing."

It is the promise of socialists that under them you will be able to eat, drink, and talk. This promise of prosperity and freedom lures many people to its fold. Socialism cannot deliver what it promises and instead effects the most stringent curb of freedom, thereby assuring economic distress. In place of the promised peace, there is war and conflict. Nor is this only between the opponents of socialism and the socialists. One of the characteristics of socialism is internal conflict. The conflict between the Nazi socialists and Russia and between Communist China and Russia are examples of internal strife between those who follow the socialist ideology. The Red China-Russian conflict has manifested itself among the followers of these rival leaders in Africa.

### *Socialism Breeds Conflict*

Because socialism is an irrational system, it is bound to lead to inner conflicts. Karl Marx denied rationality to his opponents, describing their thinking as that of the bourgeoisie determined by their economic environment. There is no reason why the thinking of the proletariat, likewise determined by the economic environment, should set the absolute standard by which to judge the thinking and rationality of another class, especially in a system which denies absolutes! The Marxists

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6 *Christian Anti-Communism Crusade*, Aug. 1, 1975, p. 8.

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have adopted a system inimical to production, based on the distribution of what is already produced. It destroys the freedom that alone has led to progress, denies God and His law as the framework under which man – the creature – must labor, and replaces God with the State. The omnipotent State has set itself a task impossible of fulfillment. Since the rule is by men, not law, blame for the failure is placed not on the system but on the men in power; and so an internal power struggle ensues.

It is inevitable that socialism will destroy itself because it is a system designed for a world of unreality. It has survived this long largely because such capitalist countries as the United States have supported it with their largess. Left to itself, it would soon amass the evidence that it is not a viable system. As R. J. Rushdoony well says: "There is no greater sign of hope today than our world crises: they witness to the collapse of the enemy's power and the impossibility of his world-plan."[7]

It is time we left the socialist countries to destroy themselves or, hopefully, to realize that the fault lies in their irrational and immoral system and to turn again to freedom under God. Perhaps there is a strong enough remnant of people in Ethiopia to turn the nation onto the path of freedom after the socialists have reached the end of their rope.

Let us also develop a remnant in our land strong enough to turn us back to a rule of law, honest money, and freedom under God, lest we too continue down the disastrous path of full-blown socialism. May we learn the lesson from the African teashop and practice the principles that will enable us to eat, drink, and talk.

[7] R. J. Rushdoony, *Chalcedon Report*, August, 1975.

IDEAS ON LIBERTY

***Majority Rule***

THE PRESCRIPTIONS in favor of liberty ought to be leveled against that quarter where the greatest danger lies, namely, that which possesses the highest prerogative of power. But this is not found in either the Executive or Legislative Department of the Government, but in the body of the people, operating by the majority against the minority.

JAMES MADISON

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# Robespierre: *The Voice of Virtue*

OTTO J. SCOTT is an enviable man. He spends part of his writing life exploring the careers of self-starting characters who act constructively for their country while pleasing themselves as individuals. His *The Creative Ordeal,* published a year ago, was a thoroughly justified paean to the "wizards" of the Raytheon company, who refined radar, a British invention, and produced it in sufficient volume to save England and to enable a crippled U.S. Navy to defeat Japan. Raytheon, with its M. I. T. scientists, was a prime example of Edmund Burke's "little platoon" in action in a situation that depended on individual initiative even more than on coordinated wartime planning.

The other part of Otto Scott's writing life is spent on dramatizing the evil effects of the Horrible Example. He is very much concerned with the occasional propensity of the human race to listen to fools. He plans biographies of King James I of England and President Woodrow Wilson, who, in his estimation, were strong men who just couldn't think straight. The Stuart dynasty never did learn how to govern England, and Woodrow Wilson's idea that the Seychelles Islands could be the equal of Britain or the U.S. in a world parliament has led to all the stupidities that Pat Moynihan has had to protest. But the biggest fools of all, in Scott's opinion, were the men who created the French Revolution. Scott has chosen the most despicable of all the French revolutionaries for his *Robespierre: The Voice of Virtue* (Mason and Lipscomb, $9.95).

The French Revolution, of course, was the antithesis of the American Revolution, even though Tom Paine and the Marquis de Lafayette, who took part in both of them, failed to see it that way until it was too late. The American



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Revolution was, actually, an armed struggle fought to defend the traditional claim of the colonists to the immemorial "rights of Englishmen." As such, it was a counter-revolution (the real revolutionist being King George III, who sought to become a dictator insofar as his American "subjects" were concerned). What Washington, John Adams, Thomas Jefferson and the rest established in America was a drastically limited government that provided for vetoes all over the lot. The small states could check the big states in the U.S. Senate; the big states could have their way in the House of Representatives. The President had his veto over both houses of Congress, and the Supreme Court could measure all new laws against the words of the Constitution. Meanwhile the ninth and tenth amendments, with some help from the first, second and fifth, defined the inalienable rights of states and individuals.

### *The French Revolution*

There was nothing like this in France. When King Louis the Sixteenth called for convening the Estates-General for the first time in 174 years, he succumbed to the pamphleteers who demanded that the Commons should have as many votes as the clergy and nobility combined. This insured the creation of a "National Assembly" that would be unchecked save by a royal veto. But Louis the Sixteenth, an amiable, thoughtless man, was not one to fight for retention of his veto rights. With the help of a few renegade nobles and clergymen, the new National Assembly quickly became a monolith. Dominated by small-bore provincial lawyers such as Robespierre, the "sea-green incorruptible" from Arras, the Assembly knew nothing about the requirements of production or the need for fiscal sanity. Excess was piled upon excess. The cities, faced with starvation, could not restrain a maddened populace. Bakers were taken out and hanged because they had run out of bread.

It wasn't long before the more "virtuous" revolutionaries such as Robespierre were using their control of an unchecked majority in the National Assembly to get rid of "moderates." The Revolution, with its guillotine, began to "devour its children." Danton went. Marat was assassinated in his bath by Charlotte Corday. Blood flowed everywhere. And then, one fine day, some of the more frightened revolutionaries looked at Robespierre, with his endless posturing about total virtue, and realized that if they didn't get the "incorruptible" from Arras first he would soon be getting them. They

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did what was necessary: Robespierre was beheaded, and the stage was set for the military regime of Napoleon.

Mr. Scott does not bother to philosophize; he lets the dramatic narrative, with all its grisly detail, convey its own lesson. Whether it all had to happen that way is a question. If Louis the Sixteenth had been a stronger man, and if his Queen, Marie Antoinette, had had the intelligence of some of the royal mistresses of earlier French monarchs, the Estates-General might have been reconstituted along English lines, with the nobles and the clergy occupying the position of the British House of Lords. Workable compromises might have put France, a rich country, on its feet again, with a budget more or less in balance and with taxes equitably levied.

### *Emphasis on Equality*

The French went wrong in 1789 because they made the fundamental mistake of equating freedom with equality. The only equality in the world is equal judgment in the sight of God. Men are not gods; they have no business trying to put each and every individual into the bed of an equalitarian Procrustes.

Burke said it all in his *Reflections on the Revolution in France*. We ought to suspend our judgment on the spirit of liberty, he said, until we see how it works out in action in a specific context. Burke refused to endorse the French Revolution on the basis of abstractions. He wanted to know how the "new liberty of France . . . had been combined with government; with public force; with the discipline and obedience of armies; with the collection of an effective and well-distributed revenue; with morality and religion; with the solidity of property; with peace and order; with civil and social manners." All these, he said, were good things, too.

The "new liberty" of France took no cognizance of the Burkean caveats. And so all the "good things" enumerated by Burke were sacrificed to a grand abstraction.

Otto Scott's story makes something of Mirabeau's effort to write a new constitution for France based on the English system. This would have been in accord with Montesquieu's idea of checks and balances. But in the heady atmosphere of the time the National Assembly, as the voice of the "people," did not propose yielding some of its powers to an upper chamber or to a royal veto. Years later John Calhoun of South Carolina, in his great *Disquisition on Government*, put his finger on the French mistake. Government must be limited

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or Equality, as defined by 51 per cent of the people, will murder the liberty of 49 per cent. Without vetoes democracy runs to tyranny. A good thought for our Bicentennial.

▸ THINKING ABOUT CRIME by James Wilson. New York: Basic Books, 1975, 231 pp. $10.

*Reviewed by Haven Bradford Gow*

JAMES WILSON, a Professor of Government at Harvard University, is concerned about the fashionable cant and nonsense that is revealed in our thinking about, and attempts to cope with, crime. For example: During the past decade legal scholars have been engaged in an intense debate over the evidentiary rules governing search and seizure, police interrogations, and the taking of confessions. Professor Wilson concedes that this debate has illuminated some interesting legal and philosophical issues, but thinks the debate has a hollow ring when recalled in the context of what actually happens in a police station house. Professor Wilson has done the much-needed research; he finds that most persons arrested for such crimes as robbery and burglary have been arrested under circumstances in which no confession is needed, no searches have to be conducted, and no police interrogations are required. Most robbers and burglars are caught in the very act. Also, there often are witnesses to testify or stolen property that can be identified; and most of those who are captured, far from desiring to ensure that they may remain silent behind constitutionally protected rights, want very much to talk so that they might lighten their sentences.

The Harvard University professor is also disturbed about the view that "Crime and drug addiction can only be dealt with by attacking their root causes." He responds that he has yet to see a "root cause," and that he has yet to encounter a government program that has successfully attacked it, at least with respect to those social problems that emanate from human volition rather than technological malfunction. But more importantly, he finds that the demand for causal solutions is really an excuse for deferring action.

Professor Wilson also explodes the popular myth that poverty causes crime. During the 1960's it became fashionable to contend that if we as a society were to reduce crime, we had to eliminate poverty, increase educational opportunities, eliminate bad housing, encourage community organiza-

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tion, and furnish counseling services to troubled and delinquent youth. It was a confident assumption of high-level Kennedy and Johnson administration officials that economic prosperity would lead to a sharp reduction of crime. Thus an avalanche of programs aimed at the poor, young and deprived were developed and implemented.

But crime soared. Indeed, crime rose at a faster rate, and to higher levels than at any time since the 1930's and, in some categories, to higher levels than any previously experienced in this country. The decade of the 1960's began with a sense of contentment and optimism; but this sense of contentment and optimism was shattered, not only by crime but by riots and war as well.

To the contention that "Men steal because they are poor and deprived," Professor Wilson responds: "There is more crime in most poor neighborhoods than in most well-off ones, but even in poor communities most people do not steal." Moreover, "crime rose the fastest in this country at a time when the number of persons living in poverty or squalor was declining." And to the popular assertion that the increase in crime results from population changes, the author replies: "Crime in our cities has increased far faster than the number of young people, or poor people, or black people, or just plain people who live in those cities. In short, objective conditions alone, whether demographic or economic, cannot account for the crime increases, though they no doubt contributed to it." Far more accurate to contend, as Professor Wilson does, that the increase of crime emanates from forces difficult to define and impossible to measure scientifically: namely, the destruction of community and our attitudes, ideas and values.

Implicit in much of the fashionable misconception regarding crime and criminals, contends Professor Wilson, are frequently naive and unacknowledged assumptions about human nature. To contend that poverty causes a person to become a criminal is to assume that man does not possess free will, that he lacks the inherent capacity to transcend his environment. To believe that human beings will become virtuous once they have attained social and economic success is to deny the common-sense recognition that wicked people exist. "Some persons will shun crime even if we do nothing to deter them," observes the Harvard University professor, "while others will seek it out even if we do everything to reform them." Evil men and women exist; and nothing avails except to set these

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evil persons apart from innocent persons. "And many people, neither wicked nor innocent, but watchful, dissembling, or calculating of their opportunities," concludes Professor Wilson in his clearly-written and well-argued work, "ponder our reaction to wickedness as a cue to what they might profitably do. We have trifled with the wicked, made sport of the innocent, and encouraged the calculators. Justice suffers, and so do we all."

▸ PROPERTY IN A HUMANE ECONOMY edited by Samuel L. Blumenfeld (LaSalle, IL: Open Court, 1974) 265 pages plus index, $10.00 hardcover, $3.50 softcover.

*Reviewed by Brian Summers*

THIS VOLUME consists of thirteen essays delivered at several symposia sponsored by the Institute for Humane Studies. The contributors – F. A. Harper, Carl F. H. Henry, Leopold Kohr, James W. Wiggins, James A. Sadowsky, Murray N. Rothbard, Arthur Kemp, Louis M. Spadaro, Sylvester Petro, George I. Mavrodes, Edwin G. Dolan, James M. Smith, Israel M. Kirzner – consider such questions as:

What is the connection between property and freedom? Is private property theft? Can scarcity be eliminated by redistributing property? Are property rights the creation of law? If God owns everything, can people own anything? Can an individual own himself?

The authors represent a wide spectrum of professions, approaches, and points of view. They differ on many questions, including the precise definitions of *ownership* and *property*. However, they unite in their belief that the institution of private property is crucial to a humane society.

*Property in a Humane Economy* is being distributed by the Institute for Humane Studies, 1177 University Drive, Menlo Park, Calif. 94025.

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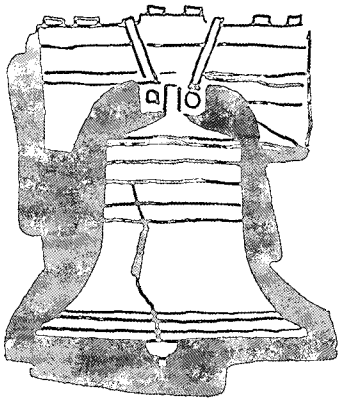

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